

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION





Pays Off in Pittsburgh

"In one recent month, we made 147 automobile loans representing a dollar volume of \$143,846.65.

"During the previous month, we made 10 loans on passenger cars, amounting to \$86,330 and 18 loans on commercial vehicles representing a dollar volume of \$27,852.

"Hardly a day goes by that some insurance agent who previously has shown little interest in the plan does not call in one or more applications. This is indeed encouraging, and if we can only keep this interest at a proper pitch, we should eventually be receiving 100 or more loans a week to the mutual advantage of the agents and the bank."

H. G. Hawthorne,
Assistant Vice President
The Farmers Deposit National Bank
of Pittsburgh
Pittsburgh, Pennsylvania

The Bank and Agent Auto Plan has proved its ability to produce a growing volume of desirable loans. It has gained ready acceptance by bankers, insurance men and their customers.

*Prince — famed trademark of the
Farmers Deposit National Bank.*



ÆTNA CASUALTY AND SURETY COMPANY

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AUTOMOBILE INSURANCE COMPANY • STANDARD FIRE INSURANCE COMPANY

HARTFORD



CONNECTICUT

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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WEINMAN & LESTER

Here is President Dodge at the A.B.A. headquarters in New York, soon after he arrived from a stay of several months in Vienna. News and views of President Dodge appear in an article starting on page 46

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October 1947

Checks on La Monte Safety Paper
not only transfer funds speedily
and safely but constitute valuable
advertising... distributed
for a bank by its
own customers



La Monte

SAFETY PAPER FOR CHECKS

GEORGE LAMONTE & SON, NUTLEY, NEW JERSEY



A Check Paper All Your Own
Why not follow the lead of America's out-
standing banks and corporations? Let us
reproduce your trade-mark in the paper
itself. Such personalized check paper pro-
vides maximum protection against altera-
tion and counterfeiting—saves banks
wasting time—helps prevent errors.





President Dodge

THE man of the new A.B.A. year is JOSEPH M. DODGE, elected to the Association's presidency at the 1947 Atlantic City convention.

Mr. DODGE, president of The Detroit Bank, has long been a banker, although in recent years he has given considerable time to public service. His most recent stint was as U.S. Minister and representative on the Commission for Examination of Disagreed Questions on the Austrian Peace Treaty. He returned from that Vienna assignment just a few weeks before the Association's annual meeting.

In the belief that President DODGE's views on important current questions, both in and out of banking, provide a good portrait of the man, BANKING presents in this issue his opinions on a variety of matters, including consumer credit, bank capital, inflation, "conversion to normal," riskless lending, economic freedom, and European reconstruction. When you read them you'll agree with the statement by the writer of the article "President Dodge" that "he has a way of expressing himself which leaves no doubt as to his meaning."

"In This Corner . . ."

IN THE opinion of one famous personage, Mr. DODGE missed his calling.

JOE GANS, the boxer who became a waiter at the Detroit Athletic Club, once remarked to a Detroit banker:

"Too bad Mistah Dodge got into this bankin' business. If he'd gone into prize-fightin' he coulda made somethin' of himself."

This tribute paid by one Joe to another was inspired by the fact that Mr. DODGE keeps in excellent physical trim. And GANS knew, of course, that the man whose choice of a career he was bemoaning had once been something of an amateur boxer.

Convention Report

BANKING's coverage of the Association's convention had to be postponed until the November issue. The meeting took place to late for an adequate report to appear in the October number.

October 1947

Next month, however, there'll be stories and pictures of who was who and what was what at Atlantic City, New Jersey.

Small Business in 19 Cities

THE major part of BANKING's main editorial section this month is given over to a series of interviews with 19 leading bankers on the outlook for loans to small business in their communities.

BANKING asked these men such questions as "What are the special problems affecting the outlook for loans in particular fields?" "In what lines is there the most activity?" Businesses suggested as candidates for this clinical examination and diagnosis included retailing (food, liquor, tobacco, drugs, wearing apparel, dry goods, department stores), automobile sales agencies, building materials and filling stations, among others.

The bankers interviewed cooperated generously, and the result is a cross-country spot check on current business and prospects that is based on careful observation and expert appraisal.

Boom . . . But

SUMMED up, the interviews, as might be expected, reflect the current business boom. On the whole the general loan outlook is considered good.

However, an undertone of caution runs through the bankers' statements. Inventories, sales resistance and keen competition are among the problems small business is facing today; and there is also the inevitable question,

"If we're going to play politics, somebody has got to be Wallace"



WE HAVE NO BRANCHES

We have over \$140,000,000 in resources

Send us your cash items

Refer your friends to us when they come to Los Angeles

UNION BANK
& TRUST CO. OF LOS ANGELES

THE BANK OF PERSONAL SERVICE
MEMBER FEDERAL RESERVE SYSTEM &
FEDERAL DEPOSIT INSURANCE CORP.

WALLETS and ENVELOPES

Safeguard
Registered Deposit Receipts for
Burroughs Commercial Teller's
Machines

For Banks equipped with Burroughs Commercial Teller's Machines, William Exline Inc. has available an extensive line of high quality wallets and envelopes for keeping registered deposit receipts. Provide your customers with the best. We invite your inquiry for samples and further information.

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- Savings Passbooks
- Commercial Passbooks
- Pocket Check Cases
- Personalized Check Cases
- Passbook Envelopes
- Machine Posting Passbooks
- Loan Passbooks
- Deposit Slips
- Statement Sheets
- Bill Straps
- Coin Wrappers
- Pen Ruled Forms
- Deposit Receipt Envelopes and Wallets

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EXLINE Inc.
1274 Ontario Street, Cleveland 13, Ohio

Speed and Service

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TRANSIT AND COLLECTION ITEMS

San Francisco is the crossroads of coastwise, transcontinental and transpacific air traffic. Our day and night Air Mail Transit Operation is geared to make the most of this strategic location.

AMERICAN TRUST COMPANY

Banking Since 1854



HEAD OFFICE
SAN FRANCISCO

Many Offices Serving
Northern California

Member Federal Deposit
Insurance Corporation

RESOURCES OVER \$900,000,000



"How long will this go on?" And some bankers point out the need for watching carefully the quality of management that is behind small businesses, particularly the new ones.

Admittedly, this is an inadequate summary of "A Spotcheck on Loans to Small Business." There's a better way to find out what the experts think: turn to page 25.

Sitka

WELL, banking in Sitka is back to normal—which means that it's quite brisk, thank you.

During the war this picturesque Alaskan town had a substantial population of armed forces personnel and the First Bank of Sitka had almost more than it could do. The return to normal means that the bank's cannery and logging camp customers, as well as people who want to borrow on anything from salmon to totem poles, are keeping the First's staff busy. You'll read about the town and the bank in H. G. BROWN's conversational story, "A Chattel Mortgage on a Totem Pole."

Several years ago MR. BROWN wrote us a sketch of wartime banking at the Bank of Kodiak where he then worked.

Since his discharge from the Army in 1945, he has been at Sitka, first as assistant manager, now as cashier-manager of the First. It might be added that he is also a salesman for Alaska.

"Although we miss some things available in the States, such as first-run pictures," he writes, "we do have other compensations. Life is more friendly—

(CONTINUED ON PAGE 6)

"Will you cash my check if I'm late for the bank?"



BANKING

—SPECIALISTS IN—

United States Government Securities

State and Municipal Bonds

C. J. DEVINE & CO.
INC.

48 Wall Street, New York 5

HAnover 2-2727

Chicago • Boston • Philadelphia • Pittsburgh • Cleveland
Cincinnati • St. Louis • San Francisco

Direct Wires to all Offices



Let's Look Ahead *with* *the* **GLENN L. MARTIN Co.**

Already Martin 2-0-2 airliners are entering service on leading airlines here and abroad. With production well underway, many more of these advanced planes will soon be on the airways. Meanwhile the Martin 3-0-3 airliner is well along in flight tests.

Six Military Types are in production or development by Martin for the Army and Navy. Martin is also manufacturing aerial gun turrets . . . huge Neptune-type rockets for the Navy. Advanced research and development projects enhance prospects for future business.

Martin Plastics and Chemicals Division will shortly enter large-scale production of Marvinol resins . . . versatile plastic raw materials with broad uses throughout industry.

Martin Inventions have been licensed for manufacture here and abroad. These include Mareng flexible fuel tanks, licensed to the U. S. Rubber Co.—Honeycomb structural material, licensed to U. S. Plywood Corp.—and numerous other Martin developments.

New Developments include Stratovision, the re-broadcasting of television and FM from

planes to eliminate need for costly coaxial cables or relay stations. Stratovision research is a joint project of Martin and Westinghouse Electric Corp. Helicopter research is being pushed by Martin Rotawings Division. Watch for announcement of other far-reaching Martin developments.

Important Research Contracts have been awarded Martin by the military services. Projects include guided missiles, electronics, new forms of propulsion, supersonic speeds, other undertakings of a confidential nature. *Better products, greater progress, are made by Martin!* The Glenn L. Martin Company, Baltimore 3, Maryland.

Martin

AIRCRAFT

Builders of Dependable  Aircraft Since 1909

AN INTERNATIONAL INSTITUTION

MANUFACTURERS OF: Advanced military aircraft • Aerial gun turrets • Guided missiles • Outstanding commercial planes for both passenger and cargo service • Marvinol resins (Martin Plastics and Chemicals Division) **DEVELOPERS OF:** Rotary wing aircraft (Martin Rotawings Division) • Mareng fuel tanks (licensed to U. S. Rubber Co.) • Honeycomb construction material (licensed to U. S. Plywood Corp.) • Stratovision aerial broadcasting (in conjunction with Westinghouse Electric Corp.) • Aircraft ground-handling equipment (licensed to Aircraft Mechanics, Inc.) **LEADERS IN RESEARCH** to guard the peace and build better living in many far-reaching fields

The Line you cannot see...

Across the middle of this continent runs a line you cannot see. It marks the boundary between two great, friendly nations and a new frontier of opportunity for American business. The Royal Bank of Canada offers full co-operation to correspondent banks wishing to investigate Canada as a market, source of supply or area for business expansion for clients. Enquiries invited.

HEAD OFFICE — MONTREAL

New York Agency —
68 William St., New York 5, N. Y.

THE ROYAL BANK OF CANADA

ASSETS EXCEED \$2,000,000,000

WHODUNIT?

Who signed that check? Is it the signature of our old friend George Gianakapolous? Has Mr. Phfftch himself opened his account at our bank? Maybe it's one of the ten little Gustafsons, who, with all his brothers and sisters, has returned home from his war job. Or, worse still, maybe it's John P. Scrawler, that guy who likes to keep people guessing.

Certainly not a case for Hercule Poirot, but sufficiently annoying to slow things down in the bookkeeping department and, when multiplied by the many thousands of times it occurs, important enough to devote some time to its solution. Fortunately the solution is simple. Get the man to use imprinted checks; then you'll know who he is.

It requires some extra labor to handle a lot of imprinted check orders in a bank but the net saving is worth a lot. The extra labor is expended at a

point where time can normally be consumed; it is saved in the department where time is vital. There is a dollar saving too, because when you sell Personalized Checks you save the cost of pass books, covers and stock checks. In a bank with as many as ten thousand accounts, one person could handle all the check orders and the chances are that he could save his salary by selling checks instead of giving them away.

Why not set up a "check department" in your bank? Pick out someone with a nice smile and put him in charge of it. Or get a pleasant young lady who likes to meet the public. You may be surprised how such an experiment would pay out. Faster sorting, money saved, customers pleased... these and many more advantages can be gained with a check department in charge of the right person. It's an idea. Let's talk about it.

De Luxe
CHECK PRINTERS

Manufacturing Plants at:

NEW YORK, CLEVELAND, CHICAGO, KANSAS CITY, ST. PAUL

JUST A MINUTE—Continued



"I've watched for a solid week and it hasn't changed a bit!"

and if you like scenery we have it all over the place. We also have excellent hunting and fishing and some nice clubs to sit in and mostly listen to some good tales."

"Peter" in Manila

FROM the capital of the Philippines comes a letter wherein FRANCISCO ORTIGAS, JR., says a number of kind words about "Peter Penny and His Magic Dollar," the banking color comic book published by the American Bankers Association.

MR. ORTIGAS read and explained "Peter" to his children. "They were very much interested and decided to start their piggy-wiggy bank."

"I hope," adds the letter, "this will not be the first and last publication to encourage children on the subject of thrift and economy."

It won't be, Mr. ORTIGAS. A second "Peter Penny" book, on the subject of thrift and savings, is in preparation. And others may follow.

Cost Analysis

IT's one of banking's best tools—as you know if you use it. If you don't use it, we suggest reading A. PAUL THOMPSON's article in this month's issue.

MR. THOMPSON, cashier of the Central National Bank, Cleveland, is an authority on cost analysis. Formerly auditor of his bank, he is also a certified public accountant, an attorney and an alumnus of The Graduate School of (CONTINUED ON PAGE 11)



They forgot one thing...

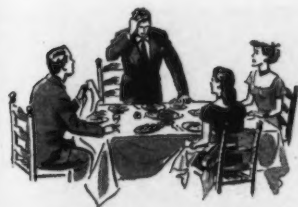
In planning their fire insurance, they forgot how large a part of their home investment was in the *furnishings*.

So after they had a fire, insurance rebuilt their *house*. But inadequate coverage on the *contents* of the house left them a long way from having a livable *home*.

Don't make this costly mistake! Check up on your

household goods and personal effects *now*. Hartford's Inventory Booklet makes this easy—write for a free copy.

Then ask your Hartford agent or broker about Hartford's broadened policies that give maximum protection to your furnishings as well as your house . . . against fire, windstorm and many other hazards.



Pot luck can be bad luck

If a guest is made ill by food served in your home, you'll want to pay medical expenses. Hartford's low-cost Comprehensive Personal Liability insurance can be purchased to take care of that in various amounts. Covers damage claims too.



Who'll pay for all this?

If your home is damaged, your expenses while in temporary quarters may run far above normal. Hartford Additional Living Expense insurance pays these extra costs!



Education guaranteed

This school will be completed because a Hartford Contract Bond guarantees it. Contract Bonds have assured performance of contracts for almost every type of construction—private projects, public buildings, even the Hoover Dam!

HARTFORD

FIRE INSURANCE COMPANY
ACCIDENT AND INDEMNITY COMPANY
LIVE STOCK INSURANCE COMPANY

Writing practically all forms of insurance except personal life insurance • Hartford 15, Connecticut



UNIVERSITY NATIONAL BANK, SEATTLE, WASH.

FORBES NATIONAL BANK, PITTSBURGH



everybody acclaims
The passing of the Passbook.



FIRST NATIONAL BANK (North Avenue Branch), ATLANTA, GA.

LAFAYETTE NATIONAL BANK, LAFAYETTE

Figuring, Accounting, Statistical and Cash Registering Machines • Nationwide

What they say—

"WOULD NOT CONSIDER DOING WITHOUT THEM . . . very pleased with results . . . customers waited on much faster . . . think machines a fine investment."

UNIVERSITY NATIONAL BANK
Seattle, Wash.

"REACTION EXTREMELY FAVORABLE . . . very much pleased . . . provide an audit not possible with pen-and-ink records . . . saves time . . . entry of a deposit quicker . . ."

FORBES NATIONAL BANK
Pittsburgh, Pa.

"CUSTOMERS PREFER OFFICIAL REGISTERED RECEIPT TO PASSBOOK . . . experienced no difficulty in swinging over . . . speed of operation has continually increased . . . customers notice increased speed . . . well pleased with system . . ."

FIRST NATIONAL BANK
OF PHILADELPHIA

"GIVES MORE COMPLETE CONTROL . . . recent survey showed tellers averaged handling customer transactions about 20% faster . . . also save teller's time in balancing . . . facilitate delivery of checks and deposits to other departments . . . well pleased with results . . ."

FIRST NATIONAL BANK
(North Avenue Branch)
Atlanta, Ga.

"CUSTOMERS LIKE NEATNESS AND SPEED . . . handle more depositors per teller than ever before . . . recommend plan to any bank wishing to improve its service."

LAFAYETTE NATIONAL BANK
Lafayette, Ind.

"NO DIFFICULTY IN CHANGE-OVER . . . feel this is most constructive advance in bank mechanical equipment in recent years . . . differences more easily located, since each teller has complete record of his transactions . . ."

NIAGARA NATIONAL BANK
Buffalo, N. Y.

BURROUGHS COMMERCIAL TELLER'S MACHINE . . .

Replaces bothersome passbooks with printed, registered deposit receipts.

Creates goodwill through faster, better window service and reduction of lines and lobby congestion.

Speeds internal work through faster flow of items to proof department and faster cage-balancing.

Increases accuracy and neatness with legible, printed figures that prove bank's and customer's records are in agreement.

Protects customer and bank by providing complete, machine-printed records of all cage transactions.

WHEREVER THERE'S BUSINESS THERE'S

Burroughs



THE MARK OF SUPERIORITY
IN MODERN BUSINESS MACHINES



is sweeping the country—the Burroughs Commercial Teller's Machine! Banks in practically every state are now reaping the benefits of the improved customer service, the increased goodwill and the favorable publicity it brings.

Passbooks, with their time-wasting pen-and-ink methods, are getting to be a thing of the past. This machine handles all types of transactions at the touch of a few keys, and automatically accumulates the figures the teller needs to balance his cage!

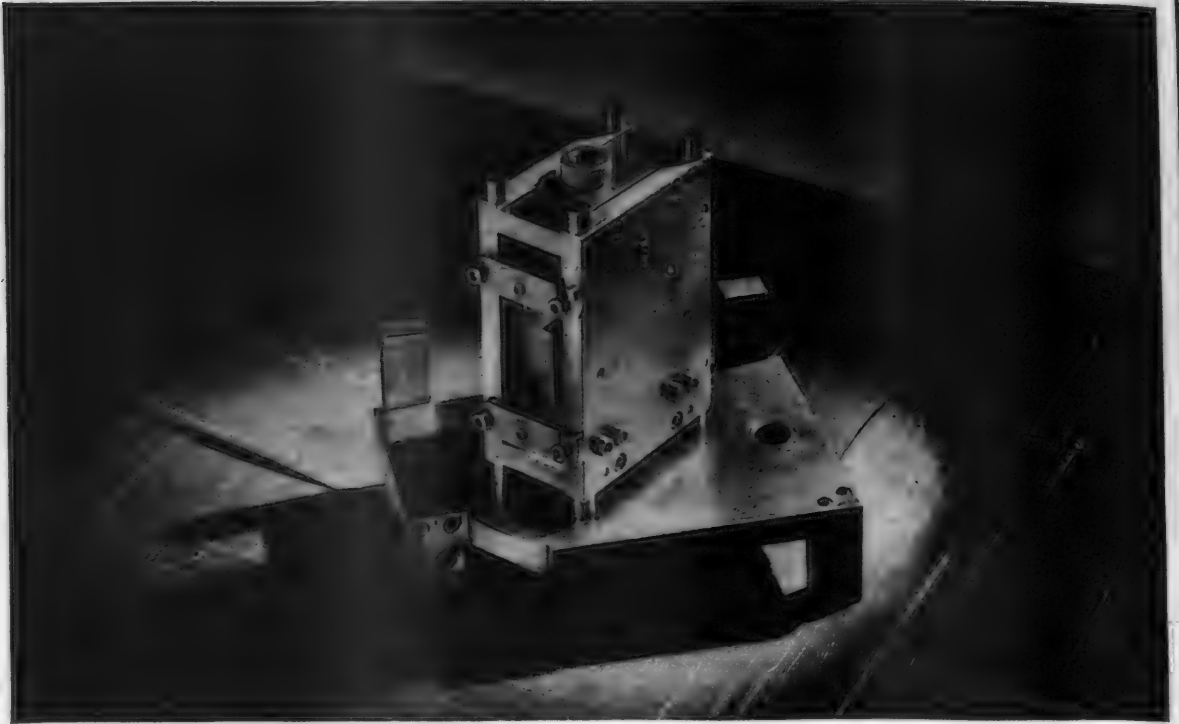
Learn how Burroughs Commercial Teller's Machines can contribute importantly to better public relations by mechanizing and modernizing your service. Learn how easily other banks have changed over to machine operation . . . how much increased goodwill and favorable publicity they've gained . . . how they've gone about introducing this new service. Call your nearest Burroughs office for complete details and the answers to all your questions.



NIAGARA NATIONAL BANK, BUFFALO, N. Y.

Maintenance Service • Machine Supplies

(Reprint of advertisement currently appearing in newspapers)



ENLIGHTENED BANKING

IN A CHANGING WORLD

Banking and business have always been linked. In large part, the bank exists for business.

As the needs of business evolve, banking services develop to meet the new requirements.

In a sense, today's bank has been created by the business it was built to serve.

To the dynamic businessman, his bank is an ally — a potent partner of his company, playing an integral part in its growth.

Your bank has similar varied potentialities for serving you.

Employ its specialized knowledge, wide resources and long experience to the fullest extent — get the most from the organization that has been built for you.

THE PHILADELPHIA NATIONAL BANK

Organized 1803

PHILADELPHIA 1, PA.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



"We must be late again—the boss is shaming us"

Banking. He has studied, at first hand, the cost systems used by several large industrial plants.

"There is no particular mystery" about cost accounting, he says. "The development of useful cost data has been discouraged in many instances by unnecessary complications. Resolved to its simplest form, cost accounting is nothing more than refinement of already recognized and accepted accounting principles and practice."

"Two major objectives of all banks, city and country," he asserts, "are served by cost analysis." They are: "to furnish the public with the highest quality financial service; and to receive in return the fairest possible pay, including a reasonable margin of profit, for such service. In the one case, cost analysis is the tool by which the effectiveness of operating performance may be measured. In the other case, cost analysis provides more accurate data on which to base acceptable charges for handling different types of items. . . ."

Although prices are ordinarily determined by supply and demand, "truer costs are extremely important in the pricing operation in order to determine whether a given service will stand on its own feet and show a fair profit, or whether something must be done to insure a sound cost-price relationship."

These Will Interest You

Also in this issue GEORGE R. AMY, secretary of the A.B.A. Country Bank Operations Commission, shows how

banks lose money on service charges. . . . A story in "Heard Along Main Street" tells about the pageant that reenacted the ransoming of Frederick, Maryland, by the banks of that city in the Summer of 1864 when General Jubal Early came a-raiding. The general's price for not burning Frederick was \$200,000. . . . In the same department there's a thumbnail sketch of the first bank west of the Mississippi to reach the age of 100. It's the Boatmen's National of St. Louis. . . .

LAWRENCE STAFFORD, in "Washington," writes on terminal leave bonds, and many other things as well. He reports that the Treasury was "immensely pleased" by the smooth job the banks did for the veterans. . . . HERBERT BRATTER'S "World Business" reviews a number of foreign situations that are of more than passing interest to Americans.

Here's One, Mr. Alger

A BANK, books, a basket of fruit, and an 84-year-old recluse piece together one of those amazing American success stories that turn up just often enough to substantiate the author of "Ragged Dick" and "Tattered Tom."

This time the chain of circumstances began many years ago when young JOHN DEFERRARI quit school in Boston's North End, bought some oranges and bananas, and peddled them in the city's financial district.

It ended early last month when old JOHN DEFERRARI, a bachelor who does his own cooking in a furnished room whose address is his secret, presented the Boston Public Library with \$1 mil-

"Do you mind explaining your special checking account to me four or five times more?"



If paper is to be as useful and valuable as it can be in modern business, it should be made of new cotton fibers. These long, tough fibers lend strength to paper and give it wearing qualities obtainable in no other way. That's why all PARSONS papers are new cotton fiber papers.

Cotton fiber record keeping papers — ledgers and bristols — with their brisk, clean, hard, smooth finishes are easier to work with and last far longer. Their superior writing and erasing qualities, their additional strength, durability and permanence more than make up for the additional cost of a fraction of a cent a piece.

Wherever records on cards or sheets take a beating from use by hand or machine, you'll find cotton fiber paper. Even for records that are consulted or posted infrequently, it pays to use these strong, firm permanent papers.

Here are PARSONS record papers and cards

Scotch Linen Ledger, made in white, buff and blue entirely of the best cotton and linen fibers.

Parsons Linen Ledger, 100% cotton fibers in white and buff.

Parsons Index Bristol, 100% cotton fibers in white and five colors.

Defendum Ledger, 75% cotton fibers in white and three colors.

Mercantile Record, 75% cotton fibers in white, buff and blue.

Mechano Form Ledger, 50% cotton fibers in white and six colors.

Mechano Form Index, 50% cotton fibers in white and six colors.

Durable Ledger, 50% cotton fibers, in white and buff.

Crest Ledger, 25% cotton fibers, in white and six colors.

So for all your records, get the paper designed and engineered for modern business, PARSONS cotton fiber paper.



Parsons Paper Company, Holyoke, Massachusetts
(© PPG, 1947)

AVAILABLE

Valuable, up-to-the-minute information about local people and local business in 46 prosperous New York State communities is available to our correspondents and their customers. Close contact with other Marine Midland Banks makes this service possible.

Member of Federal Deposit Insurance
Corporation



MARINE TRUST COMPANY

Buffalo's Oldest and Largest Commercial Bank

ThriftiCheck COMPLETES ANY BANK'S SERVICE

With leading banks in the United States now giving first attention to providing customers with every useful service, this preferred no-minimum-balance plan calls for immediate consideration by any modern bank.

ThriftiCheck is the simplest and least-involved system for both bank and customer, and therefore the most profitable. It also takes a vital part in improving public relations—another dominant factor among forward-thinking bankers. Ask us for details of this volume-building modern service.

BANKERS DEVELOPMENT CORPORATION
31 Nassau Street, New York 5, N. Y. Rector 2-7580

lion to start a \$3 million trust fund. He and the National Shawmut Bank of Boston are co-trustees.

The years between were crowded with hard work, careful saving, simple living, wise investment, and the fruits of compound interest. Yes, John exchanged his basket for a horse and cart, and the latter for a retail store close to the library. Business was good and John made money. As it accumulated he recalled that his former customers in and around State Street had been interested in investments. Why shouldn't he do a little investing, too?

Perhaps he'd heard that investigation should precede investment; more likely, his common sense told him this was the wise course. So, in the library's reference books, he "read up" on companies and made his own decisions as to whether he should buy their securities. He always bought outright—and he held on through thick and thin, even through the depressions of 1907 and the Thirties.

Real estate interested him also; and it was as an investor in Boston land and buildings that he got acquainted with the National Shawmut. Over the years he did considerable business with the bank's real estate department.

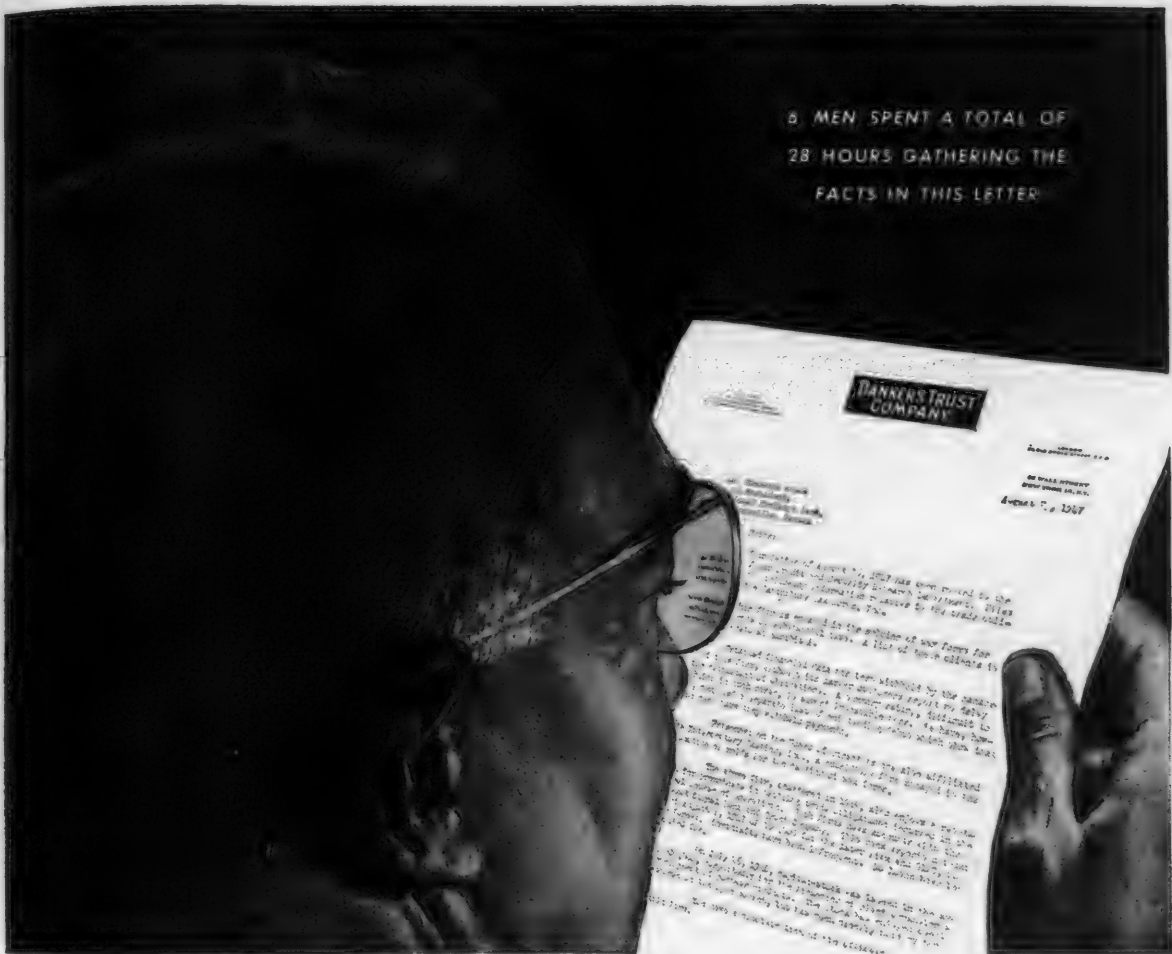
About three years ago, while talking over a tax problem with ROY H. BOOTH, assistant vice-president and a trust officer of the bank, Mr. DEFERRARI revealed his pet project. He wanted to help the library, which had done so much to help him. He also wanted to help young Bostonians by expanding their opportunities to help themselves.

"It's the woman who pays"



BANKING

8 MEN SPENT A TOTAL OF
28 HOURS GATHERING THE
FACTS IN THIS LETTER



WHY BANKERS TRUST CREDIT INFORMATION IS DEPENDABLE

WHEN credit information is needed, a prompt report that is accurate, complete, and specifically directed to the problem is essential.

That is why a Bankers Trust *Credit Information Letter* is based on interviews with suppliers, customers, competitors, banks, trade associations, and established credit agencies. That is why each credit inquiry receives the personal attention of an experienced credit officer.

We know that an inquiry calling for detailed, hard-to-get facts cannot be answered as the result of a routine investigation.

Another *plus* factor is the organization of our Credit and Security Research Department along industry lines, where trained analysts work together in sections specializing in important industries. Here, the information obtained by our investigators is appraised in the light of current trade conditions, assuring the proper evaluation of the significant facts.

This is what it takes to prepare a Bankers Trust *Credit Information Letter*—a letter which reflects the seasoned judgment of experienced credit men.



BANKERS TRUST COMPANY

NEW YORK

Member Federal Deposit Insurance Corporation



FROM the orchards of Washington State . . . largest commercial producer of deciduous fruits . . . come apples, pears, peaches, apricots, prunes and cherries in season . . . to satisfy the fruit-hunger of America.

As a great agricultural resource, the state's apple crop last year returned 87 million dollars and pears another 20 million dollars.

The Seattle-First National Bank serves intimately the great fruit sections of Washington . . . the Wenatchee-Okanogan region, the Yakima Valley, the Spokane and Walla Walla districts.

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A QUARTERLY PUBLICATION of this Bank, giving a careful review and digest of business and industrial conditions in the Pacific Northwest, will be mailed to you regularly upon request.



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Spokane and Eastern Division — Spokane

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JUST A MINUTE—Continued

As a result of this conversation and almost three years of discussing details, the irrevocable trust fund was established. Income from the first million is to accumulate until the principal reaches \$2 million. Then a million is to be used for building an addition, named for the donor, to the library. Income from the remaining million is to pile up until the fund again reaches two millions, whereupon the returns from the fund will be available to the library.

He Touched the Liberty Bell

Two members of the currently middle-aged generation were talking about the Freedom Train and its patriotic pilgrimage on behalf of good citizenship. One of them recalled that he had seen the Liberty Bell during the course of its transcontinental round trip years ago.

"I not only saw it," he said, "but I touched it.

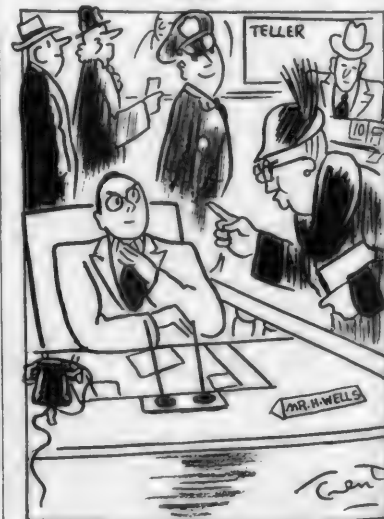
"The morning the Bell was to stop in our Ohio town school was dismissed and the kids swarmed down to the railroad station for what would be called today a visual lesson in American history.

"The train stopped for only a few minutes and we were allowed to file past the old memento. When my brief turn came I cautiously, reverently put a finger on it, then went back to school, bursting with pride and patriotism. I had touched the Liberty Bell!

"And do you know," the man smiled, "I've always been glad I did."

JOHN L. COOLEY

"Henry, can you compute interest any better now than when I had you in the sixth grade?"



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Chattel Mortgages on Totem Poles

H. G. BROWN

The writer went to Alaska, straight from the East, in 1941 and was with the Bank of Kodiak until 1943. He wrote up the construction boom in Kodiak for BANKING in 1943. After his discharge from the Army he returned to Alaska, this time to Sitka. "And glad to get back," he says. He started in 1945 as assistant manager of the First Bank of Sitka and is now cashier-manager. "It is a very active bank, despite being in the million and a half class," says Mr. Brown.

SITKA is a picturesque town of some three thousand people in the Alaskan "Panhandle," about 50 minutes by air roughly southwest of Juneau. It is the only town in southeastern Alaska within sight of the Pacific Ocean.

In Sitka, we do not just sit around and wait to spear seals as they come by. The largest industry is fishing—salmon and halibut. Some crab canning is done locally. Fishing, however, is not the only reason for being. A lumber mill turns out as much as 100,000 board feet of spruce lumber a day. Boatrepair and building facilities account for considerable business. Then, too, the Alaska Native Service maintains a large school and hospitals on Japonski Island, across the channel. This was formerly a Naval Air Station, and now has about 700 native children in school or hospitalized.

The First Bank of Sitka was organized in 1939, when the Navy was becoming interested in establishing bases. The one on Japonski Island was started about then.

Prior to that time, banking was usually done with the general store owners or with banks in Juneau. Checks, I am told, passed back and forth accumulating endorsements until somebody ran out of endorsement space or had occasion to go to Juneau or deposit there by mail.

Our first banking quarters were located in part of a store, but we have since moved into very modern quarters. During the war, with numerous armed forces personnel in Sitka as in other

Alaska towns, First Bank was extremely busy. The town in general was rather hectic. This period is now over and banking is on a normal plane.

A banker from "outside" might be struck by the seeming lack of formality. He might mistakenly conclude that Alaskan banks are lax in their methods. True, we sometimes consider loan applicants who could be regarded by state-side banks as not-too-strong financially. But consider that last year we loaned \$676,065.14, including some renewals, and charged off \$183.43. During the same year we recovered \$431.24, previously charged off. Our loans outstanding run around \$525,000, including real estate mortgages of about \$180,000.



We lend on everything from warehouse receipts on salmon to totem poles, and take dealer paper on cars, washers and other appliances. There is one old Indian woman who solemnly comes in every so often to borrow \$10. She gets it, too, and always repays as agreed. Chase National probably wouldn't be interested, but we figure that, although she is so old she might drop dead, the other Indians can't say that we won't lend.

In Alaska, and Sitka is no exception, Summer is the busy time. Canneries get ready for the brief season in which they pack salmon. Trolling boats fish hard, taking advantage of the run of expen-

sive king salmon and the long daylight hours. Marine repairways and shops are busy. Time in Summer is extremely valuable and delay to a boat in the midst of a run of fish can be serious.

Fish buyers require large sums of cash during the season. Often fish are bought on the fishing grounds, or at remote floating scows anchored at strategic points. The bank must be prepared to furnish cash, usually on letters of credit. We carry at least \$200,000 on hand at all times. It is often necessary to get to canneries and logging camps in a hurry. They are usually located in small fjords or bays, and the logical answer is to fly. Alaska is probably more air-minded than any other spot with the same number of people. Fortunately, the writer learned to fly well enough to take up float planes, so we get around quickly when necessary.

Although we miss some things available in the States, such as first-run pictures, we do have other compensations. Life is friendly and if you like scenery we have it all over the place. We also have excellent hunting and fishing, and nice clubs to sit in and listen to some good tales.

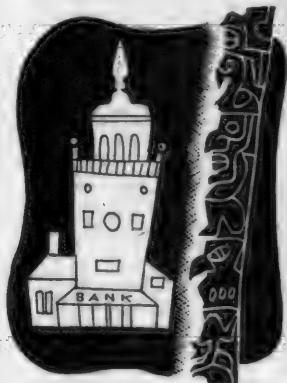
The other day, I ran across a little gem in our credit file, written a few years ago. It went as follows: "Ole So-and-So has just been released from jail, where he was placed for assault and battery, and is preparing to fish." He got the loan and paid it off, to boot.

One of our girl tellers, not long out of the States, had a little deal with a chap the other day. He was a fisherman about seven feet tall, and more than slightly drunk. She wanted him to identify himself in order to cash a check of about \$800 for him. He couldn't seem to produce any identification. When asked if he knew anyone in town, he remarked that "he'd be such and so if he'd trust any cuss-cuss with his check." Suddenly he had an inspiration. He fished out his false teeth, shoved them across the counter, and asked the teller to take a look at the serial number. Somehow, we didn't see eye to eye with him on

cashing the check, so he went out, expressing his unfavorable opinion of banks in general and our bank in particular.

Seriously, most of us like it up here. We hope more people will come to stay. It appears that we will have pulp mills which will bring new residents. A great many new people will dislike it, especially women, but if they stick around long enough to get used to it, the chance is good that they will remain.

True enough, it rains quite often. But when the sun comes out and you take a good look at the mountain peaks and the blue bay with green islands scattered about; walk down the street and say hello to everybody you see, you forget all about how wet it was yesterday.



The only person who gets something for nothing is the fellow who runs a restaurant with a cover charge.

It may be necessary in the future to own an airplane so you can go ahead and find a parking place for your car.

Headline: "Russia stiffens penalties for robbery, theft." We presume that means inside, and not outside, Russia.

Some persons will go right on buying bread and meat and depositing money in a savings account when they don't have a fur coat in the house.

On our recent vacation trip by car the scenery ran mostly to tooth paste and shaving cream.

Husbands in Hollywood are like 1947 cars in used car lots—they're hardly used.

Our Secretary of State must think the five types of clouds are cirrus, stratus, cumulus, nimbus and Soviet Russia.

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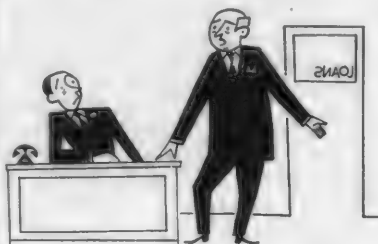
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IT WAS with some misgivings that we extended him the loan of \$50 he had requested. The small business he operated was not too flourishing and he himself was a peculiar sort of person—in fact, one of our officers had remarked that Mr. Brown (as we shall call him) seemed to have “no knot in his thread.” But the decision was in his favor and the loan was made.

The appointed day for payment came and went, the note was transferred to the past due file, and the regular notices, requesting payment, were mailed, to no avail. At last the final follow-up letter, a trifle stern in its language, was addressed to Mr. Brown.

The next day one of our prominent businessmen, wearing a perplexed and worried expression, sought the desk of



one of our officers. “Does a man named Henry Brown owe the bank \$50? He says he does,” said the visitor. “Yes, he does,” was the reply. “Why?”

“Well, it’s the darnedest thing you ever heard in your life,” declared the caller. “He came into my office last night and asked, ‘Are you Mr. George Waterman?’ When I said that I was, he said, ‘My name is Henry Brown. I have a note of \$50 due at the bank and I can’t pay it. I’ve been worrying about it ever

since it came due, and just a little while ago God told me to come down to see you and you would pay the note for me.’ Well, I was just so dumbfounded and astonished, I asked him over again what he had said. He just looked at me sort of confidingly and repeated that God had said I would pay the note for him. It just about staggered me.” And Mr. Waterman mopped his head and looked worried. “I never had such a thing happen to me in my life!” he declared. “There’s something funny about it, because I had never seen the man before, and he didn’t know me, either, and yet he said God told him to come to me and I would pay his note!”

“I may be just a crazy galoot, but if he doesn’t pay that note in the next few days you can just charge it to my account. Never thought I was a superstitious sort of fellow before, but the thought of being a topic of conversation between a man like Henry Brown and God Almighty makes me nervous!”

So Mr. Waterman paid the note for



Henry Brown, who, having given his surprised rescuer his instructions from on high, seemed to have dismissed the matter entirely from his mind. Apparently it was entirely out of his hands.

We have taken care not to tell this story locally, lest other customers in arrears should think Mr. Brown’s course worth adopting.

BELLE S. HAMILTON

More and more persons seem to want a five-day week. Apparently most people are making so much money they need two days to spend it.

A college education is not a bad thing if a man is willing to learn something afterward.

When you look at the world’s debt you are inclined to think that they who take the sword shall perish by the tax.

We’re waiting for some scientist to invent an indestructible shirt collar that can meet an irresistible laundry machine.



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IN NATURAL RESOURCES



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North of the Border

Dominion's Effort toward Freer Foreign Trade

CANADA'S dollar exchange problems moved to London when convertibility of sterling on current trade transactions was limited as a result of the recent discussions in Washington between American and British financial representatives. The discussions were extended to London and Canadian representatives joined in these when they attended meetings there of the Monetary Fund and the International Bank.

As has been pointed out in earlier issues of *BANKING*, Canada's American exchange and gold holdings are probably sufficient to meet the deficit on her trade with the United States for the current year. But, as was also mentioned in this publication, Dominion financial authorities requested creditor countries to provide more cash for their purchases of Canadian products, or more convertible sterling which could be turned into American dollars so as to lessen the drain on Canada's holdings of hard currency. The Minister of Finance reaffirmed that policy shortly before he left for London, accompanied by some expert assistants. The Minister stated that the only reason that Canada had been able to export so much of her production on credit during the past two years was that she ended the war with very large reserves of United States dollars. These have been used to pay for imports, mainly of American origin. In the absence of large imports from Britain of the kind of goods that Canada required, she turned to the United States for abnormal quantities of coal, oil, cotton and industrial machinery and equipment.

The Minister stressed that a 50-50 basis (half cash, half credit) payment for Canadian goods sold overseas was designed to help pay for Canada's imports from the United States and thereby extend the lifetime of her loan, \$1,250 million, to Britain which followed that granted by the United States. This official also brought out that a substantial part of Canada's exports must always be paid for in cash or convertible exchange. Otherwise, Canada could not continue to pay for imports of American goods on the scale of the past year. It was therefore understood that Canada would continue to receive convertible foreign currency from countries to which Canada was exporting on credit. Now that convertibility of sterling on

current trade has been limited, it seems clear that Canada's plans to cover part of her deficit with the United States by realizing American dollars from funds due by Britain and Europe have been upset. The whole situation therefore had to be reconsidered by the Minister of Finance with British officials in London and probably, also, with United States Treasury officials who also attended the Monetary Fund and International Bank conferences there.

Freer Trade Sought

From other statements of responsible authorities in Ottawa it can be taken for granted that Canadian representatives in London have furthered American proposals to hasten multi-lateral trade agreements which could in time result in more cash trade, or at least a more balanced trade. In other words, Canada would like to see freer trade relations between all countries so as to create freer exchange, rather than more bilateral agreements, which tend to regionalize both exchange and trade. Definitely, she does not want to borrow directly from the United States in order to go on lending to other nations.

A few figures will serve to illustrate the unbalanced position of Canada's foreign trade. Merchandise exports were \$1,565 million for the seven months ending July (\$300 million more than in the same period of last year) for which the sterling area accounted for \$657 million, the United States and its possessions for \$568 million, Latin

America for \$73 million and Continental Europe for \$210 million. Imports from all sources in the January-July period were slightly less than total exports and there was, therefore, an over-all favorable balance in Canada's favor. But there was a deficit of over \$600 million on merchandise trade with the United States, only part of which could have been met by American exchange realized from Canadian exports to other non-sterling areas, such as Latin America, as well as by sterling previously convertible into United States dollars.

In the last two months, Canadian imports from the United States have shown a tendency to decline slightly, while exports south of the border have remained at the high level established this year. During the last few months a considerable quantity of American exchange was derived from the record tourist trade which Canada enjoyed this year, but the amount was not as great as had been expected, for American visitors did not spend quite as freely as they did in 1946. A number brought Canadian funds which they obtained at a discount in the United States, while available American currency was not all turned into the banks and the Foreign Exchange Control Board, but floated from hand to hand and was, therefore, kept in circulation. There were some signs, also, of hoarding of American currency, although it is not believed that this practice developed on a large scale.

Larger Exports to U. S. Possible

While Canada's exportable surpluses of some products — foodstuffs, for example — are smaller than for some years past, others are in greater supply and a good part of these could be diverted to the United States at comparatively reasonable prices and go far toward balancing trade between the two countries. Restrictions on imports by Britain and other British Empire countries, as well as by Latin America, should automatically make larger exports available for the American market, notably lumber, wood pulp, newsprint and certain minerals. All these products are being produced in Canada in greater volume. More wood pulp and newsprint have actually been moving across the Canadian-American border than was

(CONTINUED ON PAGE 22)

Alterations Needed Somewhere



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the case last year, American imports of Canadian newsprint alone in the first half of 1947 being 200,000 tons more than in the like term of 1946. The full effects, however, of reconversion and modernization of Canadian pulp and paper mills are yet to be felt and, perhaps, to answer effectively criticisms that paper manufacturers have been negligent in not building new mills.

It is true that no new paper mills are being built, for one very good reason, namely, that capital investment costs have doubled or more in the last few years. It has been estimated that an investment of \$70,000 per ton of paper is now required against \$25,000-35,000 in pre-war days. The policy of the Canadian newsprint industry is, therefore, to improve the existing facilities so as to increase its production, and some worthwhile results have already been evident in the greater volume of exports to the American market. But the program for new machinery and greater efficiency is not completed and it is quite possible that it will be so advanced by the end of this year that newsprint production, already at a record level, will be at least one-third above 1939, at half or less the investment cost of new mills.

Forest Products' Importance

It might be of interest to note that the exportable forest products of Canada are among those on which the most foreign exchange can be realized, although prices for these are by no means out of line with those elsewhere. The Canadian wholesale price index is about 70 percent above that of 1939, having risen by 12 percent since the beginning of this year, but the price level of the wood and paper group has gone up by slightly over 100 percent since 1939.

Mahomet and the Mountain?



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BANKING



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The American potters of the early Nineteenth Century made known their pride in their ware (much of it now collectors' items) and their responsibility for its quality by marking it either with name or initials.

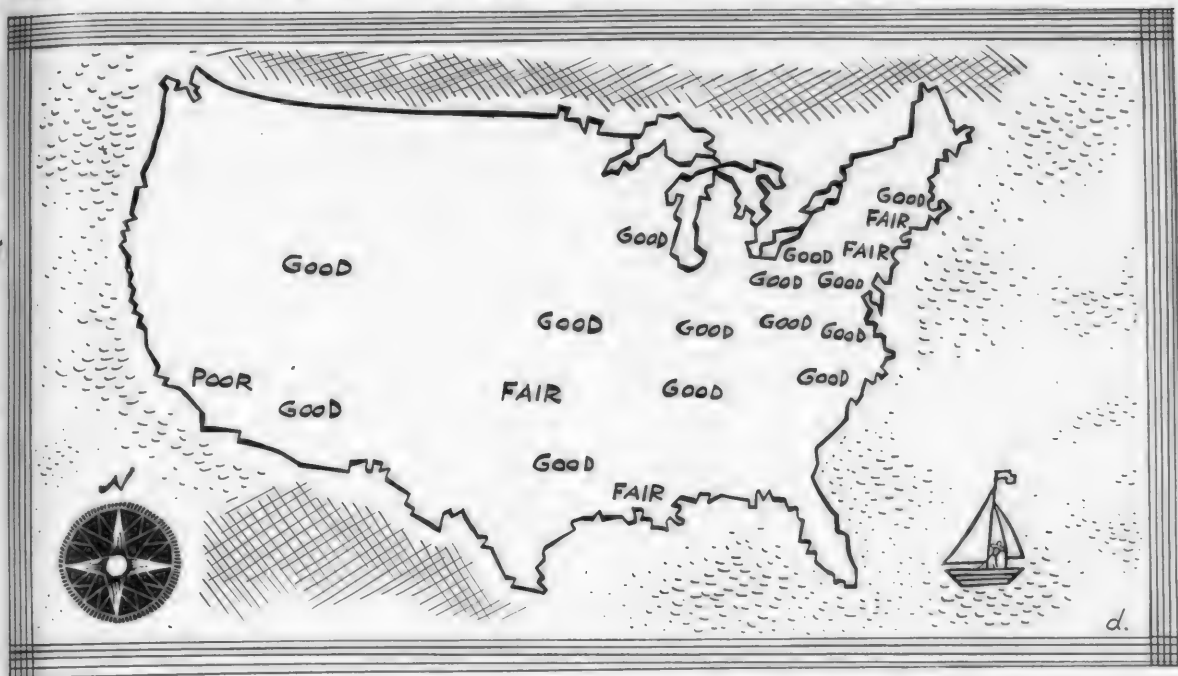
Since early in the Nineteenth Century we have been making fine papers from cotton and linen fibres only—the most enduring materials from which paper can be made—and water-marking each sheet with the name of Crane. It is the mark of our pride; your mark of assurance, and one to be found by holding the sheet of paper against the light. When next you buy paper, we suggest you look for the mark of Crane and enjoy the pleasure and satisfaction of using Crane's for all your personal and business correspondence and your social needs and forms.



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A SPOTCHECK on Loans to Small Business

Most Sections See Prospects of Increased Volume

In order to give a composite view of loan prospects for various businesses in different parts of the country and in communities of various sizes, *BANKING* presents here a picture based on personal interviews with outstanding bankers in the following cities: Los Angeles, Hartford (Conn.), Phoenix, Evansville (Ind.), Kansas City (Kan.), Boston, Newark (O.), Charleston (W. Va.), Cleveland, Dallas, Mt. Airy (Md.), Memphis, Winston-Salem, Lafayette (La.), Richmond, Oklahoma City, Philadelphia, Ogden and Racine (Wis.). A few of the bankers interviewed asked that their names and the names of their institutions be omitted.

Inventories being reduced . . .

LOS ANGELES, CALIF.

THE business of loans to small businesses is on the decline in California, according to one of the foremost banking authorities on the Pacific Coast, A. J. Gock, chairman of the board of the Bank of America.

Since its first small business loan was made on March 3, 1945, the Bank of America's small business loan department has made 16,000 loans amounting to over \$55,600,000. Last December the average loan was \$3,850 but that has dropped to a present average of \$3,300.

At present most of the loans (26.3 percent) are for the purchase of existing businesses. Approximately 16.4 percent are

made to buy equipment; 14.7 percent to start new businesses; 13.6 percent for working capital, and 10 percent to increase inventory.

Mr. Gock said that the number of loans was decreasing because many inventories were being reduced. During the war, businesses were heavily stocked in anticipation of shortages and much of that stock is still on shelves.

As for restaurants, during the war when money was easy many persons who were engaged in war work "ate out." Now that war employment has ceased and more persons are eating at home, the outlook is not of the best.

The Bank of America estimates that loans have been made to between 80 and 90 different types of businesses. Here is the present outlook for some of the major categories:

Food stores—Outlook is good because of the great influx of new residents into California.

Liquor stores—Business is declining because the price of liquor licenses has dropped. Where a newcomer once had to pay as high as \$16,000 for the license, it is now down to around \$6,000. This is principally caused by the great number of stores.

Drug stores—Business is at an even keel and has leveled off because of the big chain stores moving into the Los Angeles area.

Apparel stores—Banks are very cautious about making loans to the small clothing store operator.

Appliance stores—No loans are being made because of the great number of these stores that sprang up when entrepreneurs thought that everyone would buy appliances after the war.

Home furnishings—Same as appliance stores.

Department and dry goods stores—Business is at an even keel.

Metal products—Decline.

Building materials—There is still a shortage of materials, and with the influx of population there is a good field here that is growing.

Automobile manufacturer—Another good field.

Automobile parts—The bank is cautious here because, with the new cars, there will not be so many parts needed to fix up the old cars. However, it is figured that this condition is balanced by the influx of new residents.

Filling stations—Mortality rate is high and this business is declining because of the large operators. However, many of the larger oil companies are now setting up independents, so this field is being watched carefully.

Probably the worst experience the bank has had was with GI truck operators.

The vets will borrow money for trucks and then won't keep the trucks up, bank officials said. They'll get every bit of use out of the truck and then turn it back to the bank for repossession "in terrible condition."

However, the bank has lost less than \$50,000 in making 8,000 loans for a total of \$27 million.

One of the new angles of its small business loan service of which the bank is proud is the life insurance offered all borrowers who obtain a net advance of not more than \$10,000. There is no additional charge for the insurance.

During the two and a half years the plan has been in operation it has been figured out that 9.8 percent of its loans were to service stations, 9.6 percent to cafes and restaurants, 7.9 percent to grocery and food stores, 3.3 percent to bars and 3.2 percent to metal manufacturers.

Increase from construction industries . . .

PHOENIX, ARIZ.

THE greatest anticipated increase in business loan volume in the near future in Arizona will come from the construction industry, according to Carl A. Bimson, vice-president, Valley National Bank, Phoenix. This results from great increases in population, business activity and the fact that there has not been the slow-down in the construction industry during the winter and summer months which was evident in some other parts of the country. This increase will come from residential, commercial, municipal, state and federal government construction covering highways, buildings, etc. Building costs have shown a tendency to come down slightly, resulting primarily from increased efficiency of labor, which has had a beneficial effect on residential and commercial construction.

The number one problem of most businesses at present is resulting from inventories due to: (1) The need of maintaining a higher inventory than the business capital investment justified, as a result of a greatly increased volume of sales in many classes of businesses; (2) unbalanced inventories resulting from purchases made when deliveries were erratic and availability of merchandise was spasmodic; (3) non-

cancellation of forward orders in time to prevent delivery of unneeded inventory, which in some cases cannot now be paid for when due.

The businesses showing signs of greatest increase in financial difficulties and greatest competition are those selling or dispensing food and drinks. Under this classification would come retail groceries, restaurants, sandwich places, buffets, night clubs, ice cream stores, juice bars, etc.

This condition is partially caused by the normal summer slump in business which was always noticeable prior to the war, but has not been evident since the beginning of the war until this Summer. Many businesses now in existence had not anticipated this slump because they had never previously experienced it.

How much this type of business will strengthen during the winter months is problematical, and many failures can be anticipated, since restaurant businesses increased from 2,500 in September 1945 to 3,206 in September 1946, to 4,100 as of August 1, 1947. Although aggregate restaurant sales volume is up somewhat over 1946, it is estimated that per-unit sales would be down.

Liquor wholesalers are still having difficulty working out inventories of cheap brandies, rums, gins, etc. Bars are finding customers more inclined to ask for name brand whiskey or brandy instead of bar varieties, which makes it exceedingly difficult for the retail outlet to move out their inventories of cheap liquors, and, as a result, such inventories distort the current position of these businesses, reduce turnover in inventory and tie up working capital. This business has become highly competitive.

The apparel business is still doing well, with some problems showing up because of change in dress styles in women's apparel and a slow-up of purchases of shoddy merchandise at high prices which may cause inventory losses. All such businesses, as is true of dry goods stores and other retail establishments, are noting a slowing up in collections.

Small appliance dealers without any brand franchises are definitely in difficulties. Rather heavy mortality is anticipated in the coming months.

Manufacturers of air conditioning units, of which this territory is one of the major producers, are finding the situation very competitive, with a number of small manufacturers likely to go out of business. Next Summer is bound to show serious competition among the remaining manufacturers.

Home furnishing stores are finding sales off, partially resulting from summer slump not previously noticed during the past few years, and cheap merchandise is still on hand in some quantity, with new merchandise selling at high prices.

Metal products businesses in a number of instances are finding themselves with a too heavy stock of war surplus, sale of which items has definitely slowed up.

Building material dealers are all making money. Inventories have not increased greatly, although some easing is noted, but many small sawmills went into business during the war period when even green lumber, poorly processed, was in great demand, and are now finding themselves without the same ready market as previously experienced. There will probably be some mortality in this field.

Automobile parts companies find sales volume still high, but inventory generally heavy in relationship to sales, for the same reasons previously set forth under inventory problems.

Major oil companies are showing increased activity in establishment of service stations. Sales of gas, oil, etc., are at a high figure.

Retail sales generally are still high for the state, with figures for 1946 totaling \$516,861,000 compared with \$383,306,000 for 1945. The number of licensed businesses, however, now stands at 22,085 as compared with 16,328 for a similar period a year ago.

Business terminations are up slightly, but not enough to discourage new ventures, and are yet only about a third of new businesses started.

Business loan demand is still heavier than normal, with volume of all classes of business loans made in the first six months of 1947 being 40 percent above the same period in 1946 in amount, and showing a 60 percent increase in number for the same comparative periods.

Instalment business loan delinquencies have increased 1.2 percent over year-end, with commercial and agricultural loans showing a slowing up of liquidation at maturity by 4 percent over year-end.

GI business loan delinquencies indicate the same factors when they occur that are so obvious in all small business loan delinquencies—inadequate working capital, inadequate experience, but, *most important of all, inadequate books.*

Delinquencies in this class of loan are not serious, amounting to about 10 percent of the total outstanding. Of that amount about 15 percent are borrowers who expected to get rich in the first few months of the operation of the business, and, when this was not accomplished, got disgusted and ceased to put forth their best efforts. The balance of the delinquencies are just the normal “run of the mill” type of situation.

Most of those getting into difficulties keep no adequate set of books. They know their gross volume, but do not know where their money goes and too frequently become heavily involved financially before discovering where leaks occur, if they ever discover them at all before complete failure.

Small manufacturers whose activities were geared largely to the war effort have largely completed reconversion and are, for the most part, still in business on a peacetime basis, making at least small profits, with a few exceptions.

Most activity in small manufacturing . . .

EVANSVILLE, IND.

THE president of a large bank in Evansville says the outlook for loans in this particular trade area is very promising. The most activity at the present time is in small manufacturing. He states that small businesses have too much money invested in plants and equipment that isn't being used, and consequently they are experiencing labor difficulties.

Quite a bit of competition is being experienced in Evansville between chain and local stores. Chain stores buy in bigger volume and offer bigger bargains. They also advertise more. While the local stores are holding their own at present, they still can't compete with the chains.

In this area, the banker said, \$250,000 or less is considered a small business.

Contractors and department stores are coming along in good shape, and require less credit than chain and other local stores.

As for the auto situation, this banker states that “the dealers are making nice profits.”

He also had an interesting note on GI loans. “The local



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record on service stations,” he said, “shows that GI's went in too heavily. The same goes for grocery stores and taverns.”

He gave one example of a GI and his new bride who came into the bank one morning, and wanted to borrow \$4,000. When asked what he wanted the money for, the GI replied, “First I want to take a honeymoon, then buy a service station.” The banker didn't say whether the loan was approved.

The attitude of bankers in this area today is that they desire to make loans adequate to the clients' requirements, but they are not paying so much attention to balance sheet ratios as they are to the experience, energy and character of the applicant. Many loans are being made on warehouse receipts, accounts receivable and, to some extent on contracts made by the client for parts or services for larger businesses.

The best service banks are giving small business today, according to this authority, is close attention to details of the small borrower's business.

Demand from plants in transition . . .

KANSAS CITY, KAN.

DEMAND for bank loans by small businesses continues unabated in the Kansas City area, where they first began a sharp upturn more than 18 months ago.

Maurice L. Breidenthal, president of the Security National Bank, Kansas City, in an interview said:

“There still is a tremendous demand from plants in transition from war production to competitive markets and when the situation seemed sound loans have been made.

“The demand for loans exists through all levels of small business—manufacturing, retailing, distribution and construction.”

He cited as the only exception the automotive industry (retail dealer sales, auto parts and accessories), which he described as the “plutocrat” of the business world today.

Optimism of businessmen has necessitated a “braking down” of loan grants to check an inflationary trend and the tendency to “take a flyer” in some instances, Mr. Breidenthal said.

Most small businesses are compelled to carry high dollar volume of inventory stocks due to a combination of circumstances stemming from inability to foresee “what will be the value of a dollar.”

He cited as an example a garment manufacturer who has been compelled to double the dollar volume of his inventory

of both raw materials and completed goods because of decreased dollar value and increased production costs.

Increased cost of the raw materials and production still might mean that the manufacturer has in inventory no greater number of items, but that their value has been doubled, he explained, adding:

"We criticized the operator of one firm several months ago for building up such huge stocks of raw materials at the expense of working capital.

"He told us that confirmed orders were on hand to use more than the available supply of raw materials and that the stocks had been increased above normal levels to forestall a possible loss through price boosts.

"His foresight was well rewarded. Besides the normal profit the garment manufacturer saved considerably on the raw materials used, since prices did advance as he had predicted."

On the other hand, easing of merchandise shortages in some fields has resulted in greatly reduced inventory stocks. This banker pointed to a retail drug merchant, operator of 30 stores.

"This man told us that he was going to hold his inventory to a 30-day replacement level. He can do this because merchandise now is available, whereas during the war he had to buy in extra large volume to keep merchandise on his shelves.

"He said he was going to hold down his inventory now to guard against being caught with large stocks when the price trend starts downward in a reversal that must come soon."

The drug merchant had expressed belief that he might lose a small amount of money at the present time due to temporary inventory shortages, but that he would be safeguarded against a sudden calamitous price drop.

Business failures by GI's apparently have subsided. Those GI's still in operation will "make the grade," this banker believes.

Lack of experience and over-enthusiasm were credited with causing most failures.

Loans for competitive problems are in demand only in the manufacturing field, where necessity for enlarged inventories to offset price rises later has required additional working capital, he said.

Most loans are of a long-term nature.

In some quarters caution has been evidenced because of uncertainty as to probable government controls or other actions which would spur purchasing volume, such as extent of conversion of terminal leave bonds to cash by ex-service-men. Mr. Breidenthal said:

"This move alone added more than \$1 billion to purchasing volume and was a shot in the arm to business that will be felt for several months in stimulated buying.

"As a result, I don't see any lessening of demand for small business loans. I don't know of a single group where the business outlook is not encouraging."

Groups requiring money for conversion purposes or for inventory protection include not only wholesalers and retailers, but also manufacturers and service and supply concerns.

"Credit demand exists in virtually every line except the automotive—which has no money problems due to lack of inventory requirements," this Kansas banker said.

"Auto dealers are so well off financially that they carry all their own paper, and do not even request bank assistance in financing car sales. When they begin to come to us for assistance, then we will know that the business upsurge has been checked."

Capital loans are big problem . . .

HARTFORD, CONN.

INVENTORIES are lighter than they were last Spring, but the Fall trade is expected to be as good as a year ago, according to M. H. Glover, vice-president, Hartford National Bank and Trust Company. The long demand continues strong, with evidence of increased fall production.

Connecticut outlook generally is favorable because of the wide diversity of local industry and its adaptability. More and more, the Hartford area is becoming the central distribution point of national manufacturers for serving southern New England, says Mr. Glover.

Demands by veterans for loans continues, but the number of loans granted is diminishing.

The biggest problem continues to be capital loans made on a long term basis. Because of uncertainty in long range conditions, there is an element of danger if the loans are extended over too long a period. The general policy seems to be to lend sufficient money to shorten the term of the loan.

Profit margin will be less . . .

BOSTON, MASS.

THE outlook is for increased loans to small business in New England, according to an official of a large Boston bank, who adds that in the near future the profit margin is going to be less than now.

At the present time, he said, the greatest activity is in the sale of food. People have to eat and that is where they first start to spend money. This means that the more they spend for food the less there is to spend for other things.

There is a strong demand for tobacco, wearing apparel, dry goods and appliances. These articles are more or less necessities but the high price of food has left less for the purchase of such items.

A recent survey shows that the sale of liquor has dropped off. No one seems to be able to give the reason for this. It is possible that one cause is the high cost of other essentials, which prevents persons from spending as much on beverages. There has been a pleasant surprise in the Boston department stores, where it was anticipated that sales would drop off this year. However, they have been above average.

High prices have developed a very critical buyer in various fields. Consumers today will wait for the stores to put on the counters what they want. This means that some places which have cheaper materials have been forced to take things off their counters and store them. The manufacturer in the future, instead of making what the stores want, will have to make what the public wants. This will help both when the leveling off period finally comes.

One of the most unusual situations is the slack demand for radios. For some reason, the sale has been far below expectations. The public doesn't seem to want to buy at present price levels, with the result that stores and radio concerns are over-stocked with late models. Whether people believe they are buying dressed up 1940 models or that television is not far away, it is hard to say. During the war, a lot of people learned to fix their own radios. Then the Government released a lot of surplus radio parts that could be bought cheaply. This could possibly account for the drop in the purchase of new radios.

At the present time there is a big profit in women's wearing apparel. There was a time within the past year when

there were about 15 or 16 mills closed in New England, and as a result there was a shortage in women's wear and dry-goods. However, production seems to be coming along fairly well.

There is a wide profit in men's wear, especially suits, but the sale has fallen off because sellers are finding that if men can't get the color or the type of cloth they want they are not buying. Until the manufacturer begins to give the buyer what he wants there won't be any stepped up buying of men's suits.

Home furnishing stores are enjoying the same activity as food, drugs, apparel, etc. Household furnishings are in the essential class and people have to cut down on other items they consider not so essential.

The sale of automobile parts—when available—and the sale of gasoline are about 10 percent above normal.

Will go higher for several reasons

NEWARK, OHIO

REGARDING the outlook for loans to small businesses in this particular trade area, a local bank president says: "The volume of loans is up substantially and will probably go considerably higher for several reasons. These reasons are: (1) Prices are higher; (2) inventories are increasing; (3) accounts receivable are building up and accounts are not being paid as rapidly. In the case of concerns carrying their own paper, this volume is increasing.

"There are many small business concerns which were well financed a year ago which now need bank credit."

Regarding fields in which there is the most activity at the present time, he said: "There is high activity in all fields of business and most concerns are operating on a very profitable level much above average times. This is mostly due to volume and not mark-up. Restaurants and places serving liquor are finding a definite recession. Excess purchasing power of people is very rapidly being absorbed, which may indicate a change coming. In business loans, all banks are becoming more selective and are becoming particularly careful to appraise the management. Inventories are continuing to increase. We are not far away from the real competitive situation in many lines of business.

"Concerning repayments of loans, we find loans are still paid promptly in accordance with their terms, although not quite as promptly as they have been. We feel we will have no trouble in properly taking care of all legitimate demands for credit on the part of small businesses. We find that small businesses are looking more and more to banks for advice and counsel as well as loans."

Here is a summary of the outlook for each of the following businesses, as stated by this midwestern banker:

Food stores—Competition will be keen for the independent merchant and he will have to have an attractive place to do business. He will also have to be a good buyer and a good merchant and secure the highest number of inventory turns possible.

Liquor—This is handled by the state of Ohio.

Tobacco stores—They seem to be doing well at present.

Drug stores—Volume of business here seems to be holding well. The outlook is quite favorable. The profit margins are becoming more narrow.

Apparel stores—The volume is holding up well and they



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are operating on a profitable basis. It seems that operators are resisting price increases but they are forced to go back into market and pay higher prices. Some are absorbing the increase of costs.

Appliance stores—There is evidence of dealers accepting trade-ins in order to move certain lines of merchandise. Competition is very keen, particularly in radios. The public resists higher prices. In some lines of appliances, merchandise is still very scarce, but, as merchandise becomes slightly plentiful in a particular line, people become very selective and will buy only the best trade names.

Dry goods and department stores—The volume is holding up well ahead of last year. Profit margins are still good.

Home furnishing stores—It has been difficult to eliminate "ersatz" materials from the inventories. The public is looking for prewar quality in home furnishings. Volume of good merchandise is considerably ahead of last year. Prices are down only slightly. Profit margins are very good.

Metal products—In heating and ventilating equipment, the demand is beyond the ability to install. Profits are handsome. The skilled labor supply for installation is very low.

Building materials—There is still a shortage of select kiln dried lumber. There is also a shortage in plumbing supplies. Other than that, volume of business is holding up in home building. Commercial building is stalemated because, seemingly, of the high cost.

Automobiles—There is still a terrific demand for new automobiles, and prices of second-hand cars are very high. Even though the dealers get few cars, business is very profitable. It looks as if this business will continue on a very profitable basis for some time.

Auto parts—This business is being done on a large volume and on a profit basis.

Filling stations—Operations are at a very high level and good operators are operating very profitably. The over-all volume in each station is way beyond normal volume done.

Praise for local retailers . . .

CHARLESTON, W. VA.

THE outlook for loans to small business in the Charleston area is very good, according to Hayes Picklesimer, executive vice-president of the Kanawha Valley Bank, and it is not likely that small business will have any difficulty in getting adequate credit.

This premise, of course, carries with it certain limitations.

The banks are not going to do any promiscuous lending of money to small business. Prospective borrowers must be able to show that their business will be ably managed and that it is reasonably well capitalized, that a good product is being offered and that there is reasonable expectancy of profitable operation.

This banker pointed out that the Charleston area is not an average territory, in that practically all of the manufacturing industries, including coal, deal in raw or semi-raw products. In most instances the companies or firms are national in scope and require little if any local financing.

The only problem in the manufacturing end of any concern relates to the machine and tool shops. These did a tremendous business during the war, and are now finding it hard to operate successfully. In a number of instances according to Mr. Picklesimer, these concerns are under-capitalized.

With regard to wholesale distribution in goods, things are in good shape. Inventories are in line with sales. There are some seasonal borrowings.

"I do not believe this line of business is experiencing any difficulty in obtaining credit," this bank official said. He added that credit is highly competitive among the local banks, thus providing a better opportunity for a man to get a loan if he needs one.

Regarding the retail situation, Mr. Picklesimer said that a few stores, particularly specialty shops, have encountered an inventory problem, but that the worst of that situation has passed. In almost every case, adequate credit was available during the adjustment period following the war.

There is no credit problem pertaining to the food stores. Liquor is a state monopoly in West Virginia. Tobacco is handled principally by large, well financed firms and the same applies to drugs. There is no problem with respect to dry goods, department stores, home furnishings stores, metal products, building materials, automobiles and automobile parts.

The picture with regard to the appliance business and filling stations is somewhat different.

This banker explained that the appliance business has experienced the highest mortality ratio of all. A large number of such concerns "mushroomed" up during the war years when electrical appliances were hard to get. They were started with little capital, carried off-side brands and were operated by inexperienced people. These are now being crowded out by the old experienced firms handling the better known brands.

Banks are fearful of off-side brands and inexperience in business. They also are fearful of prospective businesses that try to start up without any capital, or with very little capital.

Inexperience and absence of sufficient capital have had much to do with the failure of people planning to establish filling stations. There have been many attempts on the part of GI's and others to borrow money to set up filling stations, and credit has been denied because there was insufficient capital for starting the enterprise and because the prospective borrowers lacked knowledge of how to operate the business.

Mr. Picklesimer praised the local retailers generally, saying that the majority had done very well in making inventory adjustments. Most of them operate on about a 75-day sales basis, and some on a lower basis, he said. Operating on such a basis precludes the possibility of being hit very hard in the event of any adverse business fluctuation.

Generally speaking, repayment of loans is seasonal. If

money is loaned for plant or permanent improvement purposes, repayment is on a monthly basis over a period of years.

The bank official expressed the view that in the event of any national business decline, the economy in the Charleston area will hold a little ahead of the national average.

Bright prospects for six months . . .

DALLAS, TEX.

IN this area, according to Fred F. Florence, president, Republic National Bank of Dallas, the situation is about as follows:

Food stores—Food stores in the hands of experienced, capable grocerymen are enjoying a profitable business. Inventories are being turned over almost as rapidly as meats, produce and dairy products can be procured. A number of food stores, however, have been opened by persons with little or no experience and with inadequate capital reserves. These young merchants are experiencing considerable difficulty in maintaining operations on a profitable basis.

Liquor stores—A rather complex situation in the retail liquor business has arisen, due primarily to over-stocks of wines, gins and liqueurs, many of which were purchased more than a year ago. As purchases of brand names of bourbon and scotch liquors became easier, the public demand for these older miscellaneous items has fallen sharply. Total inventories are greater than usual and total sales are off considerably. Profits are said to be much less than those of the past few years.

Tobacco and drug stores—These businesses in the Dallas trade territory seem to have rather bright prospects for the immediate future as sales figures are comparing quite favorably with those of recent years. There is very little inventory problem, as the change-over in soft lines seems to have occurred some time ago. These businesses now are operating on a basis quite similar to that of prewar years. The trend of public demand is definitely toward quality, economical and nationally advertised goods.

Apparel, dry goods and department stores—Department stores are encountering some buyer resistance and excessive inventory in gift and novelty lines, which were purchased when quality goods were difficult to obtain. There appears, however, to be a strong demand for quality merchandise and sales are continuing strong. A selective demand is apparent but the businesses are generally healthy and operating at good profits.

Appliance and home furnishing stores—The majority of appliance dealers are having considerable difficulty in obtaining heavy durables for retail sales (stoves, refrigerators, etc.). Appliance dealers are maintaining operations with "so-called traffic items," including such minor appliances as toasters, electric irons, pressure cookers, etc. Radios are available in good quantity and buying has decreased markedly. The public appears to be awaiting either a price drop or new models with frequency modulation and other improvements. Packaged kitchens and other metal appliances are in short supply as the result of the great national demand for steel. Attic fans and other cooling equipment seem to be plentiful, although there is some shortage of electric motors.

The wholesale furniture market is approaching its satura-

tion point. Good quality furniture is not as high on a comparative basis, as are the cheaper lines. Many stores have reduced prices markedly in order to move rather sizable inventories that turned out to be white elephants in the current market. More merchandise from nationally known manufacturers now is available. Competition is increasing rapidly. Very little difficulty, however, has been encountered in financing business concerns of this type.

Metal products—A loosening of raw materials which formerly were allocated for war production has caused considerable shrinkage in the value of numerous metal products. New products are entering the market in volume for the first time in several years and competition again is on the increase. Demand seems to be strong and steady, but profitable operations in the not too immediate future probably will depend upon merchandising and inventory control. A few small metal processing companies are experiencing difficulties at this time.

Building materials—Prices of many major building materials are increasing sharply in the Dallas area. A case in point is fir, which is shipped in here from the Pacific Northwest. In the early Summer, the price dropped from \$110 per thousand board feet to about \$85 per thousand. It has increased again to around \$100 and seems to be still advancing. Mills in this section of the country are cutting sub-standard timber in order to save choice trees for a supply of quality lumber when competition is greater. A pent-up demand for new building continues unsatiated. A steady market for almost all building materials seems to be assured for at least another two years. Most building material companies are selling all the merchandise they can procure. Just recently, cement advanced 3¾ cents per sack compared with a total advance of only 2½ per sack in the preceding 15 years. Orders to mills are on a 90-day basis and construction is limited accordingly.

Automobiles and automobile parts—New car sales continue unabated with demand apparently several times greater than supply. Used cars are moving a little more slowly, but dealers are continuing to make good profits. Parts are being consumed as fast as they can be procured and a greater percent of the public drives older vehicles. Sales actually are below their level in 1946 only because the quantity sought cannot be obtained.

Filling stations—Most filling stations are enjoying a good volume of business and are generally profitable. Prospects for petroleum sales continue at peak levels as an ever-increasing number of vehicles are operated in this area.

Summary—Lines of credit, of necessity, are being tightened on credits, but the over-all condition of borrowers is believed to be good. Such adjustments as have been necessitated have generally been carried out on a satisfactory basis. Most small businesses being operated by capable executives are sound and profitable. Their prospects for the next six months are generally bright.

Repayment is encouraging . . .

MOUNT AIRY, MD.

EVERY effort will be made to care for the increasing number of applications for credit by small business firms and individuals, declares Hubert P. Burdette, president of the First National Bank. Mr. Burdett, while speaking primarily for his own institution, said he felt the same effort to care for the needs of small business would obtain generally.



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Most financial activity in his community, Mr. Burdette said, is now largely centered around new building and construction, with the commercial lending institutions attempting to care for every application consistent with good lending practice.

Instead of the predicted slow-down in business activity, the reverse appears to be true here. That condition the banker attributed largely to the fact that more capital is now required to maintain inventories because of the decreased purchasing power of the dollar. Competition appears to be increasing in many lines, which will ultimately have the effect of causing price reductions and splitting the profit margin among more concerns vying for the buyers' favor.

Repayment of loans is highly encouraging, Mr. Burdette added. He suggested that banking generally now predicates a considerable portion of its commercial loans on an amortization plan and that few commitments are now made which do not provide for a constant curtailment of principal. In this rural community, which is given over largely to dairying, many loans only a few years old have been paid in full. A number of accounts are paid well ahead of schedule.

Speaking for his own area, Mr. Burdette said volume of sales in terms of dollars was now probably at an all time high mark and that the same could be said for all other commodities sold in this area. Filling stations are enjoying unusual prosperity and building material firms are finding a ready market for all of the items which go into a house, thanks to unprecedented activity in that line. The automobile retailers are limited only by the lack of cars; they have a long backlog of waiting, highly desirable customers, while home furnishing businesses are doing the biggest turnover in their history and in some cases local house furnishing concerns date back 50 years.

Farmers and dairymen are enjoying prosperity such as they have never known before and the overflow of cash is going back into capital asset repairs and liquid savings. Barns and buildings are being improved and rebuilt; much new and mechanized machinery has been put in the new machine shed and herds have been enlarged.

But along this line, Mr. Burdette sounded a note of caution. A number of farmer-dairymen, especially the younger lads, are adding to their herds, regardless of the per animal cost, in an effort to maintain a maximum output of fluid milk, which brings in a milk check of astounding size. Should the price of farm commodities drop, he observed, they might easily be embarrassed in trying to pay for high-priced livestock, farm machinery and land, with milk and grain selling for considerably less than present sky-high figures. Many of

their dads, he noted, made little progress for a whole decade while attempting to pay for high-priced land and cattle with low-figure commodities.

It is obvious, he continued, that many young folks are buying homes at inflated figures, mortgaged to the hilt. They no doubt are furnishing their homes on the instalment plan and their obligations will tend to increase, rather than diminish. Should their incomes remain stationary, or tend to drop, with the probability of an increasing family to care for, they will be in for tough sledding. The banker suggested caution in incurring a big, long-term debt under present day conditions of inflated values and incomes.

Business activity here, he concluded, is racing along at an all-time high, thanks indirectly to an unprecedented amount of dollars being paid the agriculturalist for his commodities.

Experience has been good . . .

CLEVELAND, OHIO

Small business in the Cleveland area can obtain the credit it needs from the banks of the community, says Sidney B. Congdon, president of the National City Bank of Cleveland.

One of the principal uses for such credit is the renewing or purchasing of new machinery and equipment. Another important purpose is for working capital to carry receivables and inventory. There is an increasing demand for this latter type of loan as contrasted with the fixed asset loans which were being made a year or two ago. It is expected that there will be an increase in the demand for machinery and equipment loans in the future due to improvements in machine and equipment design, which make it necessary to install new machinery in order to keep in a good competitive position. In this one bank, at least, business loans have been, in the main, to fabricators of metal products, wholesalers and retailers.

Many loans made to small business are either partially secured or wholly secured by chattel mortgages, receivables or inventory. The majority of these loans at present are on a monthly repayment basis running from 12 to 18 months, although there are a number on a 30 to 90-day basis where the money is borrowed for working capital to take care of seasonal business operations.

Mr. Congdon thinks there will be continuing, and perhaps increasing, demand for small business loans. He says:

"Our bank, some two years ago, established a special department with special contact men and special credit men to facilitate credit applications from small business. This insured prompt and intelligent service. The effort was successful and the bank has been an important factor in aiding many small businesses in this area. Its experience with small business loans has been good, and its method of handling them has provided an excellent training ground for personnel.

"Small business is beset with a number of special problems at present. One is the inability of fabricators to get sufficient raw material. Another is that the market is rapidly changing from a seller's to a buyer's market with the result that inventories in some instances move more slowly than heretofore. Also there still is evidence of some unbalance in the inventory position of many small businesses as well as larger businesses. There is little doubt that the competitive situation is becoming more acute particularly in the soft goods lines.

"The banks in this area have demonstrated clearly both their desire and their capacity to supply adequate credit to small businesses as well as large ones."

Small business should not become over-bold . . .

WINSTON-SALEM, N.C.

BANKS throughout the nation are taking care of the needs of small business, and this area is no exception," Robert-M. Hanes, of Winston-Salem, N.C., president of the Wachovia Bank and Trust Company, and chairman of the Small Business Credit Commission of the American Bankers Association, said in discussing the general outlook for small business in the North Carolina area.

"Carolina bankers are fitting their credit facilities to the needs of small business borrowers. Term loans, for instance, are being made for periods beyond one year to small business where management has shown the character and capacity to use borrowed funds wisely," Mr. Hanes said.

Business activity is at a high level in virtually all lines. The availability of materials or goods seems still to be the largest limiting factor. Prices continue high, but at the same time employment in this area is increasing, and income from farming wages and other sources, is at a peak level.

Carolina business is to a large degree sustained by agriculture. Crop marketing prospects for this year are excellent, although cash farm income probably will not be as high as the peak reached last year. The tobacco crop is better than average and prices are satisfactory, though slightly under last year's. A good cotton crop is now forecast and prices will be favorable. The sweet potato and peanut crops will be abundant and promise to be excellent money makers. North Carolina ranks third in the nation in cash farm income from crops, and the returns from farm marketings this year will sustain high business activity in all channels of trade.

Small business will be wise to proceed with some caution, although storm warnings are not flying right now. Though good business is indicated for the months ahead, all enterprises, large or small, should prepare for a smaller volume of business, which must come at some time, and consequently smaller profits.

Foreign demand is slacking off somewhat and must inevitably have an effect on domestic conditions. Small business enterprise should be in no haste to build or expand, for costs are extremely high and such funds can usually be more effectively used to increase reserves. Lease terms should be carefully watched and present locations, if adequate, should be retained.

Small business should not become over-bold during the present upward swing of business activity. Careful control of inventory and costs and conservative management will prove to be a good policy for whatever the future may hold.

Mr. Hanes gave some brief opinions on various types of businesses as follows:

Food stores—Most staple items are in good supply; and volume of business remains high. Better cuts of meat are scarce and very high in price, with some customer resistance to prices. Volume will continue heavy during the fall months, supported by good wages and high farm income.

Drug stores—Most drug items are in good supply, and volume continues at high levels. Drug stores offer a wide range of products and seem to have ample inventories on all

items. Profits are good and outlook appears excellent, with prospects of continued strong purchasing power.

Apparel, dry goods and department stores—Women's wear continues in strong demand, although there was a decline in August volume of from 3 to 5 percent. The inventory situation appears to be not too far out of line, with merchants demanding early deliveries on purchases, and in general showing reasonable caution against overstocking. There was a return of summer sales, resulting in clearing out seasonal merchandise. Many stores are improving and expanding their facilities and adding new lines of merchandise. Outlook for fall months is good, with continued buying power made possible by full employment and high levels of farm income. Men's wear volume continues good, but there is still scarcity among better lines of men's suits. Prices are still increasing, but demand continues strong.

Home furnishings stores—Most stores have moved out cheaper grades of furniture and home furnishings, and there is little demand for this type of merchandise now. Better grades of furniture are in strong demand and manufacturers of good furniture are sold well ahead. The recent Southern Furniture Exposition in High Point was very successful, with excellent volume of orders in better grades and many new lines offered.

Metal products—Fabricators handling bulk steel report excellent business and continued heavy demands. Supplies of heavy steel have been increasing steadily. Other plants using sheet steel are severely cramped by shortage of material. Demand will continue heavy for some time to come.

Building materials—There was a definite increase in July and August in building volume, and a heavy demand is indicated for many months to come. Lumber inventories are greatly improved and stocks of other materials seem to be increasing. Metal products are still scarce. Demand for brick and tile still exceeds supply.

Automobile supplies and automobile dealers—The backlog of new car orders continues at its highest level, with little chance of reduction at present rate of automobile production. Used car market is still active, with high prices, and there are many resales of new cars at prices well above standard delivery prices quoted in the trade. Accessory dealers report heavy business with most items in good supply. Automobile tires have been in good supply, but recently scarcities in some sizes have been reported. Tire prices have been coming down in recent months. Repair business continues to be excellent and auto dealer profits are good. Outlook in this business is excellent for months ahead.

Filling stations—Volume of business is increasing steadily. There has been no scarcity of gas and oil supplies in this area. There have been some small increases in retail gasoline prices. Profits are good and outlook for next few months is for continued high levels of business.

Banks are able and willing . . .

LAFAYETTE, LA.

NO particular increase in the volume of loans to small business is anticipated in southern Louisiana, according to T. L. Evans, president of the Guaranty Bank & Trust Co., who said, "Banks are able and willing and are supplying all justifiable financing in every line of endeavor in addition to handling an increasing volume of consumer purchase paper."

Discussing the outlook for loans to small business, Mr. Evans added that it generally does not appear that mer-



CHARLES PHELPS CUSHING

chants are buying as sparingly or as cautiously as they were six months ago and retail volume is at a high level.

Some appliance dealers are in difficulty with an oversupply of wartime merchandise and, according to the bank executive, "they will probably take substantial losses."

High building costs are retarding home building. However, necessitous commercial expansion and veterans' home construction is maintaining related business at a peak level.

Mr. Evans said: "Short-time bank construction loans are at an all time high, with no indication of reduction for the next year."

Greater but more risky . . .

MEMPHIS, TENN.

IT is estimated that the demand for loans for small businesses will be greater next year than heretofore, according to the president of a Memphis bank, but they will be more risky. The demand will probably include a greater percentage of unsound loans than that of last year.

The bulk of loans in this territory is to small business with capitalization of around \$200,000, employing about 200 people.

Building materials and the construction field are considered the greatest possibilities for loans today.

Special problems involved are too large inventories and necessity of carrying accounts receivable, and large stocks consisting of substandard and unknown brands. Such stocks were bought during the emergency and are not up to standard, or they are brands which have not become known and established through publicity or use.

Outlook on various businesses in the Memphis trade area is as follows:

Food stores—The outlook in this field is considered good due to rising population.

Tobacco—Good, due to increasing use of all forms of tobacco.

Liquor—High cost of living may reduce volume of business in this field, as it is not a necessity.

Drug stores—This field is considered good business.

Apparel stores—Spotty.

Appliances—Considered unfavorable because of inability to get standard merchandise, and the fact that the field is becoming more crowded every day.

Dry goods—This field, being limited to the small general store, is not considered so good, due to the competition of

department stores, which are more complete and in many instances lower in price.

Department stores—Not too favorable, as prices are now off.

Home furnishings—A good field because of new homes which are now in the course of construction and which must be furnished. Business is expected to increase in this field as a result of relaxation of rules on credit buying.

Metal products—Good where material can be obtained.

Building materials—Very favorable for immediate needs.

Automobiles, parts and filling stations—All three are considered good. Automobiles are scarce and in demand, making the other two businesses good until supply catches up. However, it will continue good, since parts, gas and oil are always necessities.

This is a cotton territory and the outlook is for a good crop at good prices. The estimate is for something like 11 million bales of cotton this Fall, and cotton men are expecting a price that will range from 30 to 40 cents a pound.

The scarcity of labor for picking and the fact that mechanical pickers will not be produced in sufficient quantities to harvest this year's crop, will increase the picking price. That in turn will put more money in circulation through labor, which it is believed will help small businesses.

No need for government financing . . .

RICHMOND, VA.

THERE is plenty of money available for loans to small business in this area through the private banking system, as long as applicants show proper management and responsibility. This statement comes from the president of one of Richmond's leading banking institutions. In his opinion there is no need for government financing.

Loans to small business are very active at this time, he says, but the banks have to be assured that competent persons are at the head of worthy projects before the loans are made.

Loans are especially active in the field of appliance, home furnishings, apparel and department stores.

Food, tobacco and drug stores do not figure particularly in the picture; nor do filling stations or building materials establishments. Liquor stores are under state control and consequently need no financing.

This banker did not care to venture an opinion as to the outlook for any particular type of business, but the general outlook in his opinion is favorable.

Generally speaking, inventories are understood to be in good shape and the competitive situation is not unfavorable.

Carefully scrutinize applicants . . .

OKLAHOMA CITY, OKLA.

SHARP chain store competition in many retail outlets is causing bankers in this area to scrutinize carefully applicants for small loans and their proposed business, according to Frank A. Sewell, president of the Liberty National Bank.

Mr. Sewell says the bank has a deluge of applications from former GI's but in a majority of instances they want to bor-

row too much money for the capital they have at hand and they know nothing about the business they wish to enter.

"We have young fellows with \$1,000 cash wanting to borrow \$25,000 or \$30,000 to enter a business in which they have had no previous experience," he said. "We move slowly on these loans. Then on the other hand the young men entering business these days want to start at the top and work down. They have champagne appetites and beer pocketbooks. We have withdrawn from several small business enterprises when we discovered that the operators indebted to us have joined every high class country club in town and are spending more than the business is making."

Mr. Sewell says that in his opinion the frozen food locker business is overdone and on the decline and his bank is backing off from new loans on these businesses. He says perhaps home freezers are making the difference.

Regarding the small grocery business, he believes that a small independent store with special lines and old time customers is making money, but the average little merchant is being undersold by the big chains, citing instances where the little merchant can buy more cheaply at the chains than at his own wholesaler.

This is also true in the department store, automobile accessory and drug business. The banks are going slow on such loans unless the individual has enough capital.

"We have turned down small loans where we know our capital is secure but the person involved is liable to lose the money he is putting in the business," Mr. Sewell explained. "We want the small business man to make money and when he makes it we make a little. We also are looking more to the individual and his character these days."

At present there is most activity in the lumber field, but again you have the big operator to contend with. The average GI has heard in the army that there is good business in this and that field and he wants to go into it for a quick profit even though he has no aptitude for that particular business.

Regarding appliance stores (electrical), Mr. Sewell believes there are too many of them. The bank is cautious regarding them, but is more willing to make loans on small restaurants (provided the applicant has had some previous experience), grocery stores handling exclusive lines in neighborhoods away from large chains, and filling stations leased from established oil companies.

Situation follows the national pattern . . .

PHILADELPHIA, PA.

THE general outlook for loans to small business in the Philadelphia area should pretty generally follow the national pattern, due to the widely-diversified business and manufacturing interests locally. This is the opinion of an official of one of the oldest Philadelphia banks. This pattern will be a downward trend in the economic cycle as compared with 1946 and the early part of 1947. The 1947 holiday season should still be good, however, although not as good as last year. We must remember that 1946 was the biggest boom year, with abnormal heights reached in business, so that, while there is a downward trend, it doesn't mean bad times. The times are still good, but not abnormally out of line. And the downward trend will not be drastic enough to bring bad times. The loans are thus dependent on the economic cycle.

The fields having the most activity at present are peaked by dealer financing for instalment sales in consumer goods. Instalment sales are higher than they have ever been, and the volume will increase. This is due to both the higher standard and cost of living. Many things that consumers could not obtain during the war are being purchased now under the instalment plan.

The main problem affecting the outlook for loans is the European situation. Our economy is tied up very closely with the European market. As long as we keep sending goods overseas, and as long as they can pay dollars for it, our economy will remain high. Jobs will remain plentiful, and prices will stay up. Most businesses borrow to fill up inventories, but when the European market closes on any one commodity, immediately the producers look for a drop in sales and prices, and begin budget slashing. They become wary of keeping large inventories for fear of prices going down, so they don't borrow money to replenish their stocks. The tobacco field is an outstanding example.

This banker gave the following comments on the outlook for various businesses:

Food stores—We can expect a decline to follow the general downward economic trend. Note, however, that when speaking about the downward trend, it doesn't mean a drastic depression, but, rather, just a falling off from an abnormal boom year.

Liquor—Definitely off. The drop, however, doesn't immediately affect loans, because these concerns are all very well financed. The big distillers must age their products, and once that is accomplished a drop may be expected. As for businesses here, we don't have the problems of some other lending agencies because the state has a monopoly on the liquor stores in Pennsylvania.

Drugs—No noticeable change.

Apparel—There is still a shortage of selection in clothes, and the demand continues high. However, there may be a drop in the next six months.

Appliances—This is explained in consumer instalment buying.

Department stores—Sales are going to follow purchasing power. They will also be affected by the decline.

Building materials—There is a lot of building going on today and a lot of financing of home construction in the area—more than the public realizes. However, there is a sort of false housing shortage. Families who are doubling up do not necessarily indicate a housing shortage. Many more doubled up during the depression, and we didn't talk of housing shortages then. The main reason is inability to purchase homes at present prices. Also, those who are buying are becoming more selective. Loans can be expected to drop off.

Automobiles—Production is limited to the ability to get steel and keep from having strikes. Also there is no indication that high prices will decline, because there is no hint of union wages dropping. Many persons, however, can't buy automobiles yet due to the high prices. Also, the buyers are showing more choice now than seven or eight months ago, being willing to wait for certain makes and types.

Tobacco—Cigarettes are increasing in sales, while cigars are on the decline. The British slash of tobacco imports was met with an immediate reaction here. Many manufacturers held off buying at tobacco auctions, waiting for prices to come down. The cut in cigar sales indicates people have less money.

Generally, much depends on the European trade. The situation held up during the early part of the year due to the exports which created scarcities here. Diminishing dollars,



EWING GALLOWAY

however, should produce a marked effect, unless the Marshall Plan can overcome this. However, if they can't buy, we're going to feel it. Loans in the Philadelphia area cannot really be viewed as peculiar, because the area brackets almost every type of business and industry. Generally the situation here should follow closely the national trend, which will be a gradual recession, although not a depression.

A good risk for loans . . .

OGDEN, UTAH

SMALL business is sound in most fields in this trade area," according to Willard L. Eccles, vice-president, First Security Bank of Utah. "Consequently it furnishes a good risk for loans. Although purchasing power has gone down as a result of withdrawal of government war agencies (supply depots, airfields, training bases), inflation tends to keep business volume up. This situation is expected to collapse eventually, but it appears likely to obtain for an indefinite period of time."

Certain fields, however, are becoming unsound—hotels, restaurants, filling stations, appliance concerns, food stores and building materials, for example. These are under-capitalized or overexpanded. The commodities they furnished were in great demand during the war, but withdrawal of government agency payrolls caused many war workers and armed forces members to leave the state, lessening the market for these commodities and leaving businesses dealing in them overexpanded. These fields are most active in demand loans, but, although some retrenchment has taken place in them due to inflation, they are considered bad risks except for very short term loans. These overexpanded businesses have been forced into severe competition because of shrinkage of markets, and thus they require greater capital. This is the explanation of the great loan activity in these fields.

This situation is expected to improve when the intermountain trade area develops its own industry, thus drawing more population and opening larger markets.

Under-capitalization is another factor in loans. Many would-be borrowers, especially veterans, do not initiate businesses on a sound basis. Established businesses are the best risk on the whole.

Apparel, dry goods and department stores are good risks. Their volume of business has not dropped much from that of the war years. Markets appear good for an indefinite length of time. Automobile parts are good until new car

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The Sound of Breaking Crystal Balls

THAT unusual noise you heard in recent weeks above the customary Washington din was the sound of breaking crystal balls. After feeling sure for a long time that the country's economy was all set for a "corrective recession," the crystal gazers are frankly stumped.

They don't know what is going to happen. The filling of the pipelines of goods, etc., etc., was supposed to have ushered in a downswing, a "moderate" one. In any case the anticipated decline in exports occasioned by the "dollar shortage" would cinch the correction. Some later decline in the prices of farm crops was expected, for the so-called "dollar shortage" would impinge first upon foreign purchases of food.

Most of the expectations have come to naught. In disgust, the crystal gazers have swept their crystal balls off the tables in an angry gesture. Even the White House, which steadfastly clung to an estimate of revenues based upon a downswing in business, caved in and boosted its estimates of receipts for the current year by \$4 billion, finally agreeing, on that point alone, with the advocates of tax reduction that current business justified the larger revenue guess.

A Series of Jolts

Crystal gazing has been a most unsatisfactory business these last years since the war. First the official practitioners of the art got all hepped up to expect a reconversion depression, with five to eight million unemployed, but industry reconverted in nothing flat. So it went on. The crystal gazers, after never quite accepting such a long run of abnormally large crops, finally came unconsciously to take them for granted. With another bumper year a shrinking foreign market would surely at least arrest the inflation in farm prices, and might even bring a downswing. Then nature played a trick on the forecasters. It cut the feed crop to the point where a general decline in farm prices did not seem to

be in sight, even if corn could not rise in price forever, until the 1948 crops are pretty well made.

Among their souvenirs, about all the crystal gazers have, along with a lot of persons who are suffering from the inflation, is the feeling that eventually the upward wage-price-cost-of-living spiral *must* eventually come to an end. They are not prepared to say when or to give a bill of particulars. The surrender was announced several weeks ago by the chief of the Bureau of Labor Statistics when he said frankly he foresaw nothing ahead in the immediate future which "would cause the roof to cave in."

Bankers can thus expect some more of the same kind of a business climate under which they have been operating for quite a spell, but with variations occasioned by the ending of a good many shortages, even if prices are not falling.

Big Volume of Home Construction

There is now every expectation that the volume of home construction this year will be the best in two decades, surprising, most of all, those forlorn bureaucrats who were sure that the housing industry would never get going unless the Government whipped it into action.

Contractors have started more houses in 1947 than in 20 years, and the rate of completions, limping along under controls in 1946, is now most satisfactory. The greatest cause of the increase in construction is the increasing production of building materials, and contractors started houses later in the year because they knew they could get the stuff with which to complete the work before the freeze. The actual number of units completed this year may well surpass the 750,000 forecast earlier in the year, but doubted by government officials when Congress took off the building material controls.

This large volume of home building will have three effects which lending institutions will note.

First of all, there will be a large volume of loans offered

on new construction. Second, the large amount of home building may in itself nip in the bud the expected moderate decline in building materials prices, which during the late Summer most officials were expecting, because of the expanded demand for materials. On the other hand, costs of completing houses seem now more certain of declining with the steady flow of materials and the avoidance of those costs which are occasioned by delays in completing construction.

Finally, the total volume of all home mortgage loans is leveling off, and supervisory officials expect it to decline, as compared with last year. The decline in the overall total will come from the ending of the "squirrel cage" mortgage business, in which the same used house was sold over and over again and mortgage recordings multiplied, as the same houses were resold at successively higher prices.

Unexpected Landlord Reaction

Encouraging as is the increase in the volume of construction, however, it is not likely to be large enough to make up the years' lag. Hence the demand for continuance of rent controls is likely to be made to the next Congress. When Congress, in extending rent control, permitted voluntary rent boosts of 15 percent subject to the filing of written leases, the pro-control people in the Administration assumed that Congress had practically underwritten a general 15 percent boost. The figures have not borne this out. Only a minority of the landlords jumped to the opportunity to boost rents.

This may have been due to the feeling of tenants that Congress would continue rent control next year and that they did not need to take the rap—a feeling that was furthered by certain ambiguous statements of Congressional leaders. On the other hand it may be explained by the possibility that landlords are not preponderantly the Scrooges the Government pictured them to be.

Officials frankly don't know statistically the explanation for the mild interest of owners in the opportunity to boost their rents. Likewise there is no clear picture at present as

to whether Congress will continue rent controls into the Spring of 1948 and beyond.

On the other hand, fragmentary information reaching certain government sources here indicates a revival of interest in building housing for rent. During the war and since, a person was under heavy pressure to buy a house if he wanted a place to stay, and the proportion of owner-occupied dwellings rose to abnormal highs, reaching 60 to 70 percent in some cities. Some officials believe that this proportion will now go down and that a more normal relationship between tenancy by renters and owners is on the way. The prospect that rents, even if controlled, will be less rigidly fixed by the Government, is ascribed as an underlying reason why prospective owners of rentable properties are encouraged. That there is such a definite trend, however, is so far only suspected, not confirmed.

VA Blast at Poor Construction

Headlines were made by the Veterans Administration with its blast at "shoddy construction" of houses subject to GI guarantees. In particular the VA ominously threatened "disciplinary action" against contractors and lenders. VA's sweeping generalizations created the impression, it is believed erroneously, that the problem is one of some numerical substance.

"Disciplinary action," if any, will be taken if the same contractors and the same lenders continue to be the subject of well founded complaints from here on. Such disciplinary action, however, first will be taken against contractors, with some form of blacklist keeping them out of the GI business.

Lending institutions are asked to be careful to follow through with inspections on the properties subject to GI home loan guarantees, and should any lender be notoriously careless about seeing to it that adequate inspections are made and that discovery of below-specification work is followed by withholding of payments to contractors, he might find the door closed on future business.

Another development which is making headlines is the special joint Congressional committee inquiry into the housing situation. Headlines, however, do not make legislation or build houses. The committee is without preconceived notions as to what the answer is to the housing shortage. Whatever ideas the members pick up in the course of the hearings may have an influence upon those who decide what sort of a housing program, if any, the majority leadership of Congress will settle upon next year.

Such legislation as there may be, however, will be determined in its main outlines by that leadership. The committee is without cohesive direction. The effect of the failure of Chairman Tobey of the Senate Banking Committee to head the special housing committee is to avoid the prospect that the committee would be stacked in favor of public housing.

Familiar Refrain

Probably the strongest indication that the Administration has given up hope for a corrective adjustment in prices is the decision to lay emphasis upon a program of attacking business for high prices. This attack is shaping up in the form of possible amendments to the antitrust laws, and in the recent spate of antitrust actions filed in the courts by the Department of Justice. The antitrust suit against the real estate boards is one part of this program.

The President's Council of Economic Advisers has been
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Legislation to cut down middleman profits and force municipalities to adopt standard building codes, as a "last resort" solution to the housing crisis, was proposed by Senator Joseph R. McCarthy, of Wisconsin, right, as a joint House-Senate committee opened an investigation of the housing situation with a round-table forum of federal housing officials. Left to right, Rep. Ralph A. Gamble, New York; Senator John J. Sparkman, Alabama; and Senator McCarthy

HARRIS, D. EWING



October 1947

How to Price Bank Services

A. PAUL THOMPSON

Before his election to the cashiership of the Central National Bank of Cleveland, Ohio, in 1945, MR. THOMPSON had served the bank in many capacities in various departments, including clearance and savings departments, branch office, credit, loan, and trust investment work. In 1941 he was elected auditor of the Central National and in 1943 assistant vice-president. He is a member of the Cleveland and Ohio bar associations, the National Association of Bank Auditors and Comptrollers, National Association of Cost Accountants and of the American Statistical Association. He is an alumnus of The Graduate School of Banking.

ACCURATE cost accounting is imperative in bank management. Regardless of size of bank, or where it is located, in country town or a reserve city, operating problems differ very little fundamentally. Knowledge of costs, and what is done with that knowledge, is the basis of success. Ignorance of costs frequently spells failure.

The fact that cost analysis has been applied successfully to individual units of large banks should encourage its application by country banks. Take the banks in Canada. Here we find cost analysis an important tool in supervision of far-flung branch systems. Individual offices are well integrated and must function in some respects, we are told, as independent entities.

Industry generally places strongest emphasis on the knowledge of what an article costs to make and sell. This is true of the nationally known concerns. "Costs" is a household word with them and frequently a fetish with more moderate-sized enterprises.

In banking, accurate appraisal of loan risks requires, among other factors, a thorough conception of costs on the part of the borrower. Yet do banks practice what they preach? Unfortunately, the answer is "no."

The development of useful cost data has been discouraged in many instances by unnecessary complications. Resolved to its simplest form, cost accounting is nothing more than refinement of already recognized and accepted accounting principles and practice. There is no particular mystery about it.

Unlike most manufacturing businesses with output of a single product, banks have a multitude of "products"—services—involving a great variety of transactions. In a factory the making of a part for an airplane includes the elements of cost which are accumulated by departments in terms of that part. The material, direct labor and manufacturing expense are related to the product manufactured; and, as the product moves from one department to another in the process toward completion, the cost is expressed in terms of so many of that particular part. Whether it be a job order system where departmental costs are accumulated by orders, or in a process cost set-up, such as a lumber mill where costs are accumulated by steps from cutting to skidding and hauling, to loading, booming, unloading in pond, carrying to mill desk, sawing, trimming, drying, grading, finishing, and storing, all in terms of thousand feet of lumber—the idea of unit costs is the same.

TWO major objectives of all banks, city and country, are served by cost analysis. They are: (1) To furnish the public with the highest quality financial service; and (2) to receive in return the fairest possible pay, including a reasonable margin of profit, for such service. In the one case, cost analysis is the tool by which the effectiveness of operating performance may be measured. In the other case, cost analysis provides more accurate data on which to base acceptable charges for handling different types of items.

Bank costs easily may be subjected to this type of analysis. Individual transactions may be identified, counted and related. As a matter of fact, progress has been made in extending the usefulness of cost accounting in banks. The basic procedure for relating expenses to the activities creating them actually is well established. Recording the *inflow* of costs is largely a matter of exercising care in corraling all expense items and then distributing them in accordance with a classification of accounts and division of activities. For example, the payment of compensation to personnel is debited to the expense account entitled "salaries" and divided between various types of activities in the bank such as commercial tellers, bookkeeping, savings, safe deposit—on the basis of time spent by the personnel in those activities.

Accounting for the *outflow* of costs, on the other hand, is largely a matter of judgment and interpretation. Recording the *inflow* of costs is mechanical; accounting for the *outflow* of costs is analytical. In the past the mechanics of cost accounting have been emphasized more than the analysis of costs and necessarily so. Accurate cost data, in sufficient detail; are a prerequisite to intelligent and reliable analysis of operating results.

OPERATING performance is best understood through the use of unit costs; to measure anything calls for some standard of comparison. The basic idea of bank cost accounting is to analyze and segregate financial transactions as recorded on the books of account whereby they are allocated to the individual customer services to which they relate. Profits then may be measured in relation to performance in supplying the public with various types of financial service.

Briefly, the following procedure is one approach which has proved practical and desirable in moderate-sized as well as large city banks:

- (1) Select the division of operation.
- (2) Distribute the time of the personnel among the divisions.

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The CONSUMER CREDIT DIGEST



A Quick Look at Consumer Advertising

A. FRANK BACKINGER

The author, a Fuller & Smith & Ross, Inc., account executive, made a survey of current consumer advertising in durable goods for BANKING. MR. BACKINGER has written extensively for national magazines.

MEN who make and sell consumer goods live by an age-old advertising precept—*create desire and you make sales!*

To create this desire in the consumer mind, they've reached into their bag of tricks for hunger, hate, love, fear—all the human emotions and frailties—and have paraded them across the pages of newspapers and magazines, belabored them over the air, even emblazoned them in wispy smoke on the face of the heavens.

With all their astuteness, they sometimes overlook a simple economic law, a law that wields dictatorial powers in this day of inflation. Stated simply, it's this: desire can be whetted to the buying point, but an empty pocketbook dulls its edge.

Long ago, when prices more nearly balanced incomes, consumer credit organizations recognized this gap between producer and consumer, and began to supply money to bridge it. Hesitantly, the banks followed suit, advancing credit to worthy depositors for a few of the more durable consumer goods, such as automobiles and farm machinery.

This hesitancy on the part of bankers was quite natural, in the light of their years of telling the public that, save cleanliness and godliness, thrift was the most worthwhile virtue.

Today, a combination of elements has swung the banking pendulum over to the side of ever-increasing consumer credit. First, skyrocketing prices in this postwar era have convinced the banker (he's a consumer, too) that many goods which once were paid for out of pocket are now at astronomical prices, requiring little less than a 20-year mortgage to finance. Next, the banker came to the realization that possession on credit of substantially-priced, good-quality, nationally-advertised merchandise was a far more economical proposition than the dubious economy of purchase, for cash, of low-cost, shoddy merchandise. Lastly, the banker has reconciled himself to the fact that the credit ownership of high-quality consumer goods is, in effect, only another form of *thrift*.

Logical questions that must now enter the banker's mind are: "To what extent may I extend consumer credit? How many and what types of goods and services should I consider as good risks? And how do I go about weaning the

consumer away from the more common forms of credit?"

The first question is answered simply. The banker may not extend credit beyond the dictates of good business practice. He must be guided by both his conscience and his responsibility to his community to protect the consumer from the false economy of shoddy merchandise.

The next question is not so easy to answer. The banker must consider the durability of the item upon which he is making a loan, and—at the risk of being accused of high-handedness—he *must* require that the goods or services be of real value to the consumer. How can he determine this? By what yardstick can he measure the benefit to a consumer of a certain piece of merchandise or a service?

THERE is only one sure way. That is to bring his business sense to bear upon the relative merits of those goods and services now being offered in the advertising pages of his local press, in national magazines, and on the air. For example, let's take a brief look at the current offerings of national advertisers in the light of their adaptability to credit purchase through bank financing.

General Motors, Westinghouse and General Electric, to name but a few, are all offering home refrigerators and freezing units. GE tells us, "You live better—when you own a General Electric home freezer." GM gives us five good reasons why we'll "want to see this new Frigidaire cold-wall," and Westinghouse features a combination refrigerator and freezer.

Wartime home furnishings were, for the most part, not of excellent quality. Now that better rugs, carpeting, furniture are trickling back on the market, the consumer is faced with all-time high prices. Kroehler and Simmons are currently advertising attractive articles of furniture and are backing them with their records of integrity in the furnishing of high-quality merchandise. Alexander Smith & Sons, Karagheusian and Bigelow are, likewise, offering better-quality rugs and carpeting—but at prices which often are difficult for the consumer to pay out of income.

In the same category are pianos by Steinway, French and Lester, radios by Capehart, Philco, GE, Westinghouse, and electrical appliances by such manufacturers as Sunbeam, Hoover, Electrolux. All of these articles of equipment and furnishings are sound additions to any home. Any of them are good investments for the consumer, and good business for the banker in their financing.

There is no more permanent addition to any American home than Sterling silver or silverplate. Among the better

craftsmen who advertise these wares are Community, Wallace Sterling, Holmes & Edwards, and many others too numerous for listing here. Few bankers would consider it unreasonable to offer credit for the purchase of silver, if the prospective buyer demonstrates an ability to pay for such a high-cost, prestige item.

The A. H. Pond Co. is offering a group of articles quite similar in classification to silverware, the "Keepsake" diamond engagement rings and wedding bands. It offers verified high quality at reasonable prices in its half-page ads in several consumer periodicals. The prospective groom could do worse than to purchase such articles through low-cost bank credit.

Another high-cost labor-saving device for the housewife is the washing machine. Sturdily-constructed machines are being advertised by Horton, Maytag, Bendix, Westinghouse, and many others.

In home heating, Chrysler, Mohawk and a number of other well known manufacturers are advertising improved coal, gas and oil-fired systems. Such an investment is thoroughly sound and one which banks should be quite willing to finance. Another article, long missing from the advertising pages, is Minneapolis-Honeywell's "Chronotherm," which is being plugged with full pages in consumer, news, and business magazines. This timer-thermostat, according to its maker, saves fuel, maintains uniform temperatures, automatically switches to lower temperatures at night, increases comfort and convenience, and pays for itself. A useful article in conjunction with a new heating system, it offers itself as a "natural" for credit financing.

It seems almost superfluous to mention the numerous nationally advertised storm window combinations now on the market; such as: Thermoseal, Eagle-Picher, Stoaco, Burroughs, etc. The advantages of these heat-saving, convenient installations are well known by the consumer and appear to

be most generally accepted by banks for credit financing. Examples are New York's Westchester and Long Island residential areas where many new and old homes are storm-window-equipped on FHA-approved bank loans.

The advertisements in local papers, placed by contractors and builders, furnish another fertile field for consumer credit. Shortages of building material are now easing, and more and more advertising appears every day, offering such services as roofing, flooring, new plumbing installations, siding and the finishing of attics, to ease the tight housing squeeze. These services are all sound consumer investments and, in many cases, are of an emergency nature. Cost is high for such work, and credit for the consumer is often a "must."

Divorced from the concrete goods and services mentioned here, but equally acceptable for bank financing, is the rather abstract service—insurance. High face values in fire, life and casualty insurance often require substantial premiums. Life companies, all of them national advertisers too well known to need listing, require that premiums be paid annually, semi-annually, or quarterly. Quite often, a quarterly premium is still so large it unduly taxes the insured's pocketbook, and service charges for such payments add to his burden, while fire and other coverages written on the three- or five-year basis offer attractive savings.

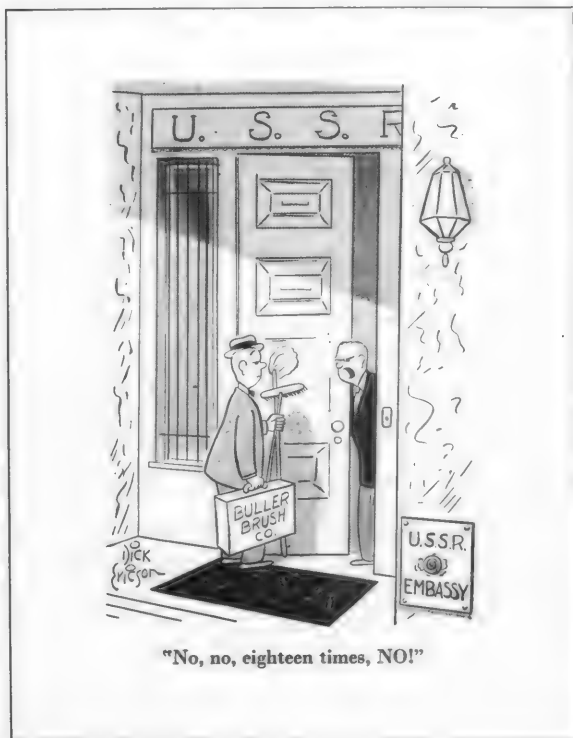
THE ideal solution for payment of high premiums such as this is for the banks to make payment of premiums on a yearly basis, taking advantage of the lower yearly rates, and requiring the policyholder to pay on a monthly basis, charging him only the usual consumer credit rates. Such plans are gaining impetus daily. More often than not they have made it possible for the consumer to be adequately covered with insurance, where he could not normally have afforded it. In a sense, this type of financing, while profitable, is more of a service to the community than a business proposition.

This quick picture of what advertising offers the banker in the way of grist for his consumer credit mill, answers his number two question posed earlier: "How many and what types of goods and services should I consider as good credit risks?" In no sense does this discussion purport to lay down a circumscribed list of articles to be considered for consumer financing, but these few should furnish food for thought and should suggest many other possibilities along the same general lines. Almost any piece of merchandise, any service that offers true value, merits the bank's consideration.

Question number three—"How do I go about weaning the consumer away from more common forms of credit?"—is a poser that needs close examination. Consider for a moment what was said earlier: men who make and sell consumer goods live by an age-old advertising precept—*create desire and you make sales!* This precept works for you as well as for the producer and distributor. Increasing numbers of banks are creating this desire in a revolutionary new way. They are displaying consumer goods in their foyers and on their banking floors; they are telling the consumer, by means of prominently displayed placards on their counters and walls, about services available to him through local suppliers. They are advertising their consumer credit wares in their community newspapers.

In short, they are doing a bang-up job of informing their depositors of this relatively new service they offer, along with showing them the actual goods to be financed.

No other credit agency can offer the consumer so much in the way of dignified, business-like borrowing.



Costs Are a Critical Factor

A. ANTON FRIEDRICH

The author, a regular contributor to BANKING, is professor of economics at New York University and a member of The Graduate School of Banking faculty. He is also co-author of several books on economics, and contributor on economic subjects to the Encyclopedia of Social Sciences.

AN INCREASE in volume of consumer credit means not only additional income but also additional costs. Profits, it is frequently said, depend on volume. But this is only a half-truth. If the facilities of a bank are not fully utilized, if the increase in the volume of activity involves more intensive and efficient use of existing facilities, the need for new employees, for increased space, for additional office equipment and supplies, the additional cost may be greater than the additional income.

In all fields of business activity, costs are far above their prewar levels. The butcher and the candlestick maker, the maker of steel and automobiles, must pay more for his materials and supplies, he must pay more for wages and salaries. So must the manager of a consumer credit department. Wages and salaries which constitute the greater part of making instalment loans have increased considerably. Office supplies and equipment cost more.

Although costs of operations have gone up materially, bank rates on instalment loans remain at their prewar levels. There are two possibilities: (1) There have been improvements in methods which have resulted in economies which were not available in the prewar period. In this case, profit margins are maintained; (2) if new economies are not forthcoming the net margin of earnings on instalment loans must necessarily be lower than before the war.

Prewar cost "norms" and operating standards have little, if any, practical importance today. If the minimum cost of making and collecting a loan was \$4 in the years before the war, and if the costs of bank operations reflect general tendencies, this minimum could be as high as \$6 or more. If the break-even point of loan size was \$100 before the war, it could be as high as \$150 or more today.

Costs vary with the size of banks, with the particular situation in each bank, with the nature of the community, with classes of borrowers, with the nature of the loan, whether it is a personal loan, an appliance loan, an FHA loan, or an automobile loan. Costs vary with the size of the loan and the length of time it runs.

Each bank must make its own analysis. The cost studies may show different results for banks differently situated, but this much can be dogmatically asserted: It is of paramount importance now for banks to know their costs. It is important to watch cost trends carefully in relation to volume trends, and to have at hand, insofar as cost accounting techniques make it possible, a breakdown of costs for the different classes and sizes of loans. It is important to know the minimum size loan which under present conditions will

yield a total return over the loan period sufficient to cover the cost of making and collecting it. Another important consideration is the composition of the instalment loan portfolio. What percentage of the loan volume falls into that classification which produces losses rather than profits?

When the controls of Regulation W are removed, it is reasonable to expect that competitive pressures will be more severe all along the line. Down payments will be reduced and loan periods will be extended. Some observers expect also that rates will be under pressure. If this occurs, the managers of instalment loan departments will face the necessity of deciding whether in the light of their costs this added volume is worthwhile. If instalment credit lenders disregard costs or act without knowledge of costs, the results may not only be a chaotic loan market, but in the end may prove painfully disillusioning.

Knowing costs is not a panacea for all the problems which the manager of an instalment loan department has to meet. It does not provide final answers. Should loan rates and charges be increased? Should there be a minimum charge on all loans? Should there be a minimum size loan below which the bank will not lend?

The answers to these questions involve considerations in addition to the element of costs. It is obvious, however, that costs are a critical factor in the decisions. Without a knowledge of costs it is difficult to see how the decisions can be more than intuitive and haphazard guesses.

Instalment loan department of the First National Bank of Minneapolis, Minnesota. An attractive office, easily accessible to the public on the street level, is always good salesmanship for direct consumer credit





Recently the Huffman Manufacturing Company of Dayton, Ohio, produced its millionth bicycle. As the special chrome and gold-plated model came off the assembly line, two vice-presidents of the Third National Bank and Trust Company of Dayton, William C. Sherman, *second from left*, and H. W. Gillaugh, *right*, and Clem G. Faine, vice-president of the Fifth Third Union Trust Company of Cincinnati, *second from right*, were on hand for the ceremony. D. S. Mitchell, Huffman vice-president, is shown on the bicycle

CLOSE to 16,000 copies of the American Bankers Association bulletin, "Without Regulation W—WHAT?" (a guide to sound consumer credit terms) have been distributed to banks. Over 3,000 additional copies have been requested for distribution to boards of directors and executive officers of banks. Copies are available upon request.

"Your committee anticipated that Regulation W (under which the Board of Governors of the Federal Reserve System has controlled consumer credit since September 1941) would be abandoned some months ago and has made a thorough study of the terms that it would offer to the banks of the country as a guide," states Louis J. Asterita, secretary, Committee on Consumer Credit, A.B.A., in the bulletin. "In our opinion, no one central authority can possibly set a pattern of terms which would be proper for all persons in every section of the country. Accordingly, the following (terms) is offered as a guide only on the basis of the economic conditions now existing. It is recognized that

Consumer Credit News Exchange

there will be many variations dependent upon local conditions."

CHICAGO was the first city to get the new travel credit service recently sponsored by the Railroad Passenger Interterritorial Committee. The LA SALLE NATIONAL BANK announced installation of the service in August, in cooperation with the 20 trunk line railroads serving that city. The plan became effective in other important cities throughout the country in September.

LA SALLE has christened the new form of personal credit, "Rail Traveloan Service," and has developed a distinctive emblem depicting a streamlined locomotive atop a shield bearing those words. (See illustration.) Advertising circulars were provided to railroad ticket offices, together with loan application forms and rate charts.

The traveler fills out a simple form at any railroad ticket office, without visiting the bank. Applications are mailed or telephoned to the bank, with credit approved in 24 hours or less. The traveler may apply for amounts to cover additional rail traveling expenses such as meals, clothing, and hotels. Remittance is made by the bank directly to the railroad to cover cost of railroad accommodation; another check is mailed to borrower for any excess amount. Repayment is made to the bank on the same basis as regular personal loans.

THE manager of a chain of camera stores in Pennsylvania called on the executive vice-president of his bank.

"Would you advise me to open another retail store now?" the merchant wanted to know.

"Why don't you put in a good consumer credit plan," the banker suggested, "and see if you don't increase the volume of sales in each of the stores you now operate?"

The bank executive worked out a simple plan by which the camera stores would turn over the credit problem to the bank. Within three months the extra business in cameras handled by this means equalled the extra volume of sales at some of the long-established stores.

With something more than 11 million cameras in use, new models are received with the interest that marks the announcement of a new car or radio.

FROM time to time, the SOCIETY FOR SAVINGS IN THE CITY OF CLEVELAND, Ohio, makes spot checks to analyze its
(CONTINUED ON PAGE 110)





HERBERT BREYER

CHARLES PHELPS CUSHING

Crises and Programs

WASHINGTON D. C.

At this writing the governors and executive directors of the World Bank and Fund are convening in London. That the session should have been held in the British capital serves more than could anything else to dramatize the present inadequacy of the program so hopefully designed at Bretton Woods in 1944. Due to the publicity given Britain's resumption of convertibility of the pound sterling on July 15, as called for by the Anglo-American loan agreement, and the suspension of convertibility barely five weeks later, London might be regarded as the capital of the world's soft-currency area. Some, last year, thought it a mistake for the Fund to accept automatically as initial parities the official exchange rates members suggested. They now feel that events have shown their skepticism justified. On the day the U. S. delegation arrived in England, the pound—par value \$4.02—could be bought in New York for \$2.65, in banknotes.

The British monetary crisis this year developed like a summer thunder shower. For financial weather forecasting the public depends on official statements, and all the official statements from the British Treasury early in the Summer indicated that convertibility problems were well in hand. Nothing that came from the U. S. Treasury indicated the contrary. Now it seems the British Government was "hoping" that the outside world would regard convertibility not as an opportunity to get out of a leaky ship, but as a sign of internal British strength. Actually those central bankers and others who controlled balances in Britain rather saw last Winter's fuel crisis as a sort of handwriting on the wall, and when the barriers were lowered pulled out what funds they could. So the Labor Government had to lower the barriers again—making the pound inconvertible—and resume its domestic exhortation, "Work or Want." In view of the coal strike going on at this writing, one cannot but wonder whether the British people will finally respond.

Resumption of inconvertibility despite the loan agreement was a unilateral decision taken by the British Government just before Sir Wilfrid Eady's talks with Secretary Snyder began. Apparently Mr. Snyder was irked by that

unilateral step, and on his part insisted upon suspending the loan so as to leave \$400 million on ice.

The problem now is what to do for Britain. We may not favor the socialist program of Atlee's government. We may not like the way the British have carried out the loan pact. We may not enjoy the anti-U. S. sentiments openly expressed in so many places over there. But many believe we should provide non-reimbursable help, preferably within the Marshall program. However, don't be surprised if, after Marshall money is "in the bag" Britain comes to Washington for a supplementary individual loan.

Marshall Program

Secretary Marshall's famous Harvard speech was an invitation to all Europe, including the USSR, to get together and plan recovery with American aid. The fact that Russia abstained and kept out eastern European countries which are in its orbit converted the Marshall proposal into a large-scale elaboration of the Truman Doctrine, for if Russia is bent on prolonging world disorder as a culture for communism, America all the more wants to keep that Asiatic malignance from spreading further. So the countries on Russia's Eurasian perimeter have a wonderful chance to get substantial additional U. S. aid if only they will make half an effort to convince the American public that the aid will promote this purpose and that there will be concrete progress to show for the money at the end of a few years, rather than just more and bigger crises.

Presumably it was because the 16-nation conference in Paris was not evolving a satisfactory program for European self-help that would make possible a diminishing program of American financial assistance that the State Department's top planner, George Kennan, was hurried abroad to join the discussions. According to press reports, it had become clear that the Paris conference was preoccupied with drawing up an enormous shopping list of American goods and was principally interested in learning how large it dared make it, rather than in really working out a fundamental internal housecleaning and renovation. American taxpayers are not



PRESS ASSOCIATION

Secretary of the Treasury John W. Snyder (right) in conversation in London with Chancellor of the Exchequer Hugh Dalton, when the two were attending conferences of the World Bank and Fund. The annual session ended September 17, with an agreement to meet next year in Washington. Most of the business transacted was of a routine nature and ended with optimistic statements on all sides. Finland was admitted as the 46th member of both Bank and Fund

encouraged to accede to just any European "Marshall Plan" when they read, for example, that despite Britain's crisis there are costly coal strikes in that country.

This was the fact confronting the Labor Government's foreign minister, even while he was exhorting the Trade Union Congress to produce more and the TUC delegates were jeering the comments made about Moscow by visiting AFL delegate George J. Richardson. If British workers won't do their best, one reason may be the hopes dangled before them by their Government.

In the same speech Bevin called upon the United States to distribute its \$22 billion of gold to other countries. Actually, we have done the equivalent of that—and more—in our various foreign aid programs to date. Bevin was right on one point: his suggestion is not popular here. Americans don't mind giving dollars, but they cannot countenance giving away gold. Commented Appropriations Committee Chairman John Taber: "My answer to him would be, 'Forget it and go to work'."

In the midst of history's worst dollar shortage comes to hand a study by the Federal Reserve Bank of New York showing foreign holdings of American securities increased from \$2.7 billion in June 1941 to \$3.5 billion now, with \$2.1 billion being held in Europe. The securities held here by Europe and Canada, however, are relatively small, when compared with the rate of spending by those countries in the United States, the bank points out.

Dollar Famine

Although Under-Secretary of State Robert A. Lovett is not the capital's foremost linguist, he states in all modesty that he no longer needs an interpreter when receiving foreign diplomats, for even if their speech sounds like gibberish, he knows that they are asking for dollars. The key to world business today, over and above all other factors, lies in the amount of dollars which the Congress will appropriate, now and in the future, for foreign relief and reconstruction. On

such appropriations depends, also, the course of the global political war between Washington and the Kremlin.

Against the humanitarian and political background, business considerations are secondary. They are present, of course. When we give dollars to foreigners to spend here, that makes for export orders and employment in the export industries. Foreigners are right in supposing that U. S. Government loans abroad, however risky or unlikely of repayment, appeal to our public for the reason cited. It seems to matter not that the trade stimulus comes at just the wrong time in our business cycle, or that dollars spent for foreign gifts are just as inflationary as those spent in wartime for munitions. For multiple reasons, therefore, business and worker spokesmen may be expected to support the financial program to be laid before the Congress by the State Department before long.

Japan and Germany

Our Government, in view of the East-West impasse, has been seeking the non-Russian world's approval of plans for restoring a measure of prewar economic life to Germany and Japan, as well as other areas. Even this measure of agreement has not been all smooth sailing. France, for instance, has rather different ideas about Germany than we have; and for that matter we and socialist Britain have not identical views as to the best way of reviving the Ruhr.

The fact is, the American taxpayer is getting a bit tired of
(CONTINUED ON PAGE 87)

Britain's Foreign Secretary Bevin has been making speeches lately. In one he made some rather vague references to the advantages abroad if the United States would dig up some of its Ft. Knox gold and make some sort of distribution somewhere somehow. Subsequently England sold \$80 million of her own gold to the U. S. for dollars. That much more will find its way to Ft. Knox



PRESS ASSOCIATION
BANKING

10

October 1947

President Dodge

The Association's new president, Joseph M. Dodge, at his desk in Detroit

IN the Summer of 1908 the Central Savings Bank of Detroit hired a messenger. In due course he began working on the Boston ledger and helping with the other books, eventually reaching the post of general bookkeeper in this bank. This was the beginning of Joe Dodge's interest in operating problems and led directly to distinguished careers in both banking and public service.

He quickly appreciated the value of accounting knowledge to his work and began, at this early time, to study accounting and auditing. He liked to read a lot of other things, too, but he particularly wanted to learn all about the keeping of bank records and about accounting and business operations in general. He cultivated this habit and usually had a pencil in one hand to make notes and draw lines under the important passages.

Through the years he has never lost the habit of reading and writing, with the result that his information is up to date and he has a way of expressing himself which leaves no doubt as to his meaning regardless of whether he is speaking on world conditions or consumer credit.

Even in his attitude toward responsibility, or what might be called his philosophy of achievement, President Dodge has borrowed a thought right out of accounting, namely, "You cannot draw out of life or your job or your business more than you put into it." He is convinced that there are more opportunities today in banking and business in general than ever before.

"There isn't an executive I know," he declared, "who isn't constantly on the lookout for individuals with real ability and a lively interest in improvement of themselves and their work and the success of their business."

On the subject of consumer credit he does not believe



that the total volume outstanding at the prevailing terms is in itself a source of future problems.

"However, I believe that any large future expansion," he said, "based on extended terms and smaller down payments, would be a cause for concern under the present abnormal circumstances. We must always keep in mind the dangers of excessive competition for volume in this field and the obligation to protect not only the banks but the borrowers from unwise commitments.

"Taking the controls off the consumer credit terms does not add anything to the incomes of consumers, but lower down-payments and longer terms of payment will add to the ability of purchasers to spend their future incomes more freely and over a longer period of time. They can easily use this added freedom by going into debt for a greater number of purchases or for more expensive products. Whatever it is—it is debt to be paid from future income. If the debt is to be paid, the income must be constant. Any material change in the level of national income inevitably will affect instalment debtors first.

"There never was a time when easy credit at peak prices and during peak activity did not bring on later penalties. Even when the lender is paid, the struggles, the sacrifices and the hardships of the borrowers never appear in the books of account. Actual losses are no measure of the cost of these loans to the man who is encouraged to over-extend himself with debt."

Bank Capital

The new President of the American Bankers Association has consistently emphasized the dangers which can arise from the rapid expansion of loan assets.

"Banks have been multiplying their asset risks," he said, "in the shift from government securities to various types of loans. The more rapid the change, the greater the risks assumed.

Europe Must Depend on Europe

THERE is no amount of United States goods, dollars or credit which will reconstruct Europe by itself," Mr. Dodge said in a Detroit newspaper interview upon his return from Vienna. "We must be sure in our assistance to Europe that we cultivate their independence rather than their dependence upon us.

"The failures abroad are failures of production. They are failures of socialism and communism; and not failures of free enterprise.

"American production is not failing, but production is failing nearly everywhere else. European reconstruction all too frequently is said to depend on the United States. It does not. It depends on Europe."



Mr. Dodge at a session of the Commission for the Examination of Disagreed Questions of the Austrian Treaty

"While this shift in assets is going on, there has not been any commensurate increase in bank capital. The ratio is still very low. The riskless investment hedge against this situation, primarily in government bonds, is progressively losing its effectiveness.

"There are three ways to meet the problem. First, care in the nature and type of risks put on the books under present conditions of extreme and abnormal activity; second, to restrict the volume of risks accepted in some reasonable relation to the actual capital cushion; and third, to offset the increased volume of risks assumed with additions to the capital account. Sound banking policy will take all of these elements into consideration."

Mr. Dodge believes the banking business should be prepared to meet still another conversion problem. "Two years ago," he said, "we faced the problem of conversion from war to peace. In the not too distant future we may face the problem of conversion from a high, abnormal condition of business activity to a more normal, but still prosperous, level. This change will bring its own problems and they will affect the banks. Any change which modifies the rate of progress will increase the tests of business skill and resource. We have already established a high fixed level of costs, which cannot easily be adjusted downward. There will be some decline in prices due to the beginning of demand saturation and price reductions for the purpose of maintaining a competitive position and maximum volume of production in a market in which the deferred demand has slackened.

"In many cases, a relatively modest decline in either prices or volume will have a large effect on both earnings and credits."

Chronology

Started banking career as messenger, Central Savings Bank, Detroit, in 1908 and rose through the various departments to the post of general bookkeeper. Became an auditor with a firm of general accountants, returned to the banking business as an assistant examiner and then became senior examiner in the Michigan State Banking Department. He then became special examiner and later secretary of the Michigan Securities Commission.

1932-33, vice-president and assistant to the chairman of the board, First National Bank, Detroit.

1933, vice-president, National Bank of Detroit.

December 1933, president of The Detroit Bank.

1942-43, chairman, Price Adjustment Board, Central Procurement District, Army Air Forces, covering 13 states, with headquarters in Detroit and offices in Chicago, Cleveland and Cincinnati.

1943-44, in Washington, D. C., as chairman, War Department Price Adjustment Board; chairman, War Contracts Board representing the War, Navy and Treasury Departments, Maritime Commission, War Shipping Administration and the Reconstruction Finance Corporation; and director, Renegotiation Division, Headquarters Staff, Army Service Forces.

1945 to July 1946, financial advisor to the United States Military Governor and director, Finance Division, Office of Military Government, Berlin, Germany, and director, Finance Branch, U. S. Forces, European Theatre, Frankfurt, Germany.

May 1947, in Vienna as U. S. Minister and representative of the U. S. on the Commission for Examination of Disagreed Questions on the Austrian Peace Treaty.

March 11, 1946, awarded the Distinguished Service Certificate of the United States Treasury for services rendered on behalf of the War Finance Program.

September 18, 1946, presented the Medal for Merit by Secretary of War Patterson, awarded him by President Truman. This medal is the highest civilian war award ranking with the military Distinguished Service Medal and is authorized only by the President of the United States.

He is a past president of the Michigan Bankers Association and has served on many A.B.A. and Association of Reserve City Bankers committees.

He sees some forces still operating on the inflationary side. He said that, despite the halt in government deficits and increasing production, we still have the inflationary effect of dollars chasing goods instead of goods chasing dollars.

"We have progressively increasing prices and wages, substantial gold imports since the first of the year, large amounts of spending dollars placed in the hands of veterans from terminal leave and bonus bond issues and other allotments and further billions spent here for goods delivered abroad, not offset by imports. These forces continue to be inflationary."

His opinion of the recently eliminated secondary mortgage market should be mentioned because of its bearing on the whole subject of government credit guarantees. He agrees that this secondary mortgage market served a valuable and constructive purpose in certain lending situations.

(CONTINUED ON PAGE 115)

The Country Banker



DEVART

Radio Scripts That Sell

At 6:45 every Tuesday morning farmers around Hartford, Connecticut, get helpful hints on how to meet their agricultural credit needs, at reasonable rates of interest, from the farmers' digest program over Station WTIC sponsored by the main office and 10 branches of The Hartford-Connecticut Trust Company. The bank's programs are frequently tied in with local and national observances having special significance to the farmer, such as National 4-H Club and accident prevention weeks.

Roy Schabel, farm loan manager, says that the principal value of the radio programs is in opening the door to him, Francis Mullen, the bank's other farm representative, and to branch managers when they make calls upon farm customers.

However, during seven months of radio advertising, the bank's total loans increased 68 percent. "This increase is not definitely attributable to radio advertising," said Manager Schabel, "but it rounds out our advertising program. I would not say this advertising has increased business in other departments. It is on too early for the average listener."

In commenting upon the effectiveness of the Hartford-Connecticut's service to farm customers, Mr. Schabel observed: "When a farmer decides he needs a farm loan, he really appreciates quick service, and that is what we try to give him. A copy of all current and non-current loans is kept in the main office so that any branch manager may call up, if necessary, and discuss a farmer's requirements. He generally receives a definite answer."

Since many banks have indicated, in A.B.A. surveys, that they are interested in utilizing radio to sell their loan services to farmers, a few of the Hartford-Connecticut scripts are presented so that the techniques used may be studied:

February 18, 1947

You should investigate the low cost, long term, local money for farm mortgages through The Hartford-Connecticut Trust Company, a *prompt, friendly, local* service. No red tape—strictly confidential; 4 per cent guaranteed interest rate with 14 different plans tailor-made to your needs.

Pay any amount at any time from farm income.

Save time and money by making the payments on your loan here at this bank.

No extra charges—no stock obligations—no fees and commissions to pay—only the usual certificate of search and recording expense.

You improve your credit standing by having all of your loans under one roof. Crop, livestock, and equipment loans can also be handled.

Ask any of the 10 country banks of The Hartford-Connecticut Trust Company about this modern and complete service, or write for the booklet, "What to Look for in a Farm Loan," in care of WTIC.

March 4, 1947

4-H Club work gives many a farm youngster his first chance to handle a real business deal. When you raise a flock of chickens or a pig, you invest your money and your time and labor, you keep a record of your costs, and, if all goes well, you make a profit. That's the 4-H way of "learning by doing."

And you boys and girls can learn about financing, too, in 4-H work. The Hartford-Connecticut Trust Company, with the approval of your parents, can lend you the money to start and carry through a 4-H project. For example, you can borrow the money to buy a purebred calf or a shipment of baby chicks, and the feed to grow them. You'd repay the loan when the calf is sold, or you'd start regular repayments when the pullets begin to lay.

Call at the downtown bank in Hartford and ask for Roy Schabel. He's the farm loan man. Or stop at one of the bank's 10 country branches. George Trepp handles farm loans at the branch in East Hampton. If you live down that way, ask for George Trepp.

And best wishes to all you 4-H Club members from The Hartford-Connecticut Trust Company on National 4-H Club Week.

April 15, 1947

Is this the year you're going to remodel the kitchen? Or put in a bathroom? Or build that barn, perhaps?

If you're making any plans at all for building, stop in at The Hartford-Connecticut Trust Company next time you're in town and see their Idea Center for home building.

(CONTINUED ON PAGE 80)

Hidden Losses In Service Charges

GEORGE R. AMY

MR. AMY, who is secretary of the Commission on Country Bank Operations of the American Bankers Association, has supervised several service charge studies made by the Commission. Before joining the A.B.A. staff he was associated with the First National Bank of Bound Brook, New Jersey, as assistant cashier in the operations department. He is a graduate of The Graduate School of Banking.

IN business there is nothing certain except that things will change, and this applies in banking just as it does to merchandising, manufacturing, or supplying of services. However, the effects of changes are often reflected less in banking than in other classifications of business. This may be partially because bankers, in their efforts to foster the idea of conservatism and stability, have been less realistic in taking into consideration these changes in establishing rates and terms that apply to the public.

Just because a bank has a system of service charges it has no assurance that it makes a profit from this source. Instead, a wrong system of service charges may result in substantial losses, unbeknown to the management of the bank. One of the most vulnerable spots in any service charge system is the earnings credit allowance on the demand deposit balance.

A thorough knowledge of demand deposit earnings is necessary to establish a sound policy relative to an earnings credit allowance. Earnings credit is the net allowance to checking account depositors as a partial or full offset against certain service charges. It represents the amount of earnings the bank will pay back to the demand deposit customer in the form of services for the money that customer leaves on deposit with the bank.

The establishment of this earnings rate is far more important than is oft-times realized. Why? Because, being a rate, it isn't given the same consideration as if it were expressed in dollars and cents. For example, let us look at the effect

of two different commonly used rates—1.2 percent and 1.8 percent—on \$1 million of demand deposit money. Let us assume that the depositors used every bit of the earnings credit allowance from this \$1 million to offset charges for their demand deposit activity. The 1.2 percent rate on the \$1 million of deposits would permit depositors \$12,000 in the form of an earnings credit allowance, while the 1.8 percent rate would amount to an earnings credit allowance of \$18,000—a difference of \$6,000 a year. These rates become significant when broken down into potential dollars.

It is possible to allow a higher earnings credit than is consistent with earnings from demand deposit investments and still not lose money in the over-all picture because many depositors do not use the entire earnings credit allowance available to them. However, the one group of depositors which uses most, or all, of its earnings credit allowance should not benefit from the fact that the other group of depositors does not use its available allowance. Instead, is it not logical that each account should stand on its own merits and be given an earnings allowance consistent with the earnings received from the funds on deposit in that account?

What are banks actually earning from the investment of these demand deposits? In the cost analysis study of 700 banks in that group with total assets of less than \$7½ million, covering their operations for the year 1946, the Country Bank Operations Commission of the American Bankers Association found that the median figure for earnings received from the investment of demand deposits amounted to 1.462 percent. This figure does not include any deductions for profit or loss reserves. If such a deduction were made this rate would become approximately three-tenths of 1 percent less, or 1.162 percent. This 1.162 percent rate amounts to nine and seven-tenths cents for each \$100 of demand deposits per month.

(CONTINUED ON PAGE 83)

Capital Structure and Deposits	Funds Available for Investment B	After Deducting Legal Reserves L	Amt. Inv. After Deduct Legal & Excess Reserves M	Yield on Invested Funds		Rate of Yield on D/D P
				Rate N	Amount O	
(5) Avg. Total Capital Funds.....	213,780	213,780	191,271	2.1053	4,027	1.620
(6) Avg. Bal. Time Ctf. of Deposit.....	68,725	64,602	57,800	2.1053	1,216	
(7) Avg. Bal. Savings Deposits.....	1,365,956	1,283,999	1,148,810	2.1053	24,185	
(8) Avg. Bal. Christmas Club Deposits.....	6,860	6,448	5,769	2.1053	121	
(9) Avg. Bal. Demand Deposits.....	2,470,647	2,124,756	1,901,050	2.1053	40,028	
(10) Avg. Bal. War Loan Deposit Account.....	127,102	109,307	97,798	2.1053	2,059	
(11) Total.....	4,253,070	3,802,892	3,402,498	2.1053	71,636	

Loans & Investments Income	Avg. Amt. Inv. For Year C	Income D	Less Expense		Net Income	
			Amount Q	Rate R	Amount S	Rate T
(12) Loans.....	667,381	27,346	3,363	.504	23,983	3.594
(13) U.S. Govt. Securities.....	1,954,369	29,754	189	.010	29,565	1.513
(14) Other Bonds, Warrants, etc.....	780,748	19,467	1,379	.177	18,088	2.317
(15) Less Borrowed Money (If Any).....		0				
(16) Total.....	3,402,498	76,567	4,931	.145	71,636	2.1053

News for Country Bankers

Merchandising . . . Bank Operations . . . Legislation . . . Better Farming

This selection of news was compiled by MARY B. LEACH of BANKING's editorial staff.

43 States Win 1,000-Point Award

BANKS of 43 states were given the 1,000-point award of the Agricultural Commission of the American Bankers Association at the first general session of the Association's convention in Atlantic City in recognition of activities carried on to promote the welfare of agriculture in their states.

Awards were presented by Charles T. O'Neill, Commission chairman, who is vice-president and trust officer of the National Bank and Trust Company of Charlottesville, Virginia.

Four of the award winning states—Oklahoma, Tennessee, Texas and Utah—received special recognition for having won the award for 10 years in succession. Three other states—Connecticut, Florida and Rhode Island—achieved the award for the first time this year.

Banks in the various states are rated each year by the Commission on activities that benefit agriculture. In the numerical evaluation of these activities, points are given for *regular* and *extra* services rendered by the banks. The awards are made to the state bankers associations.

States winning the 1,000-point award this year and the number of times they have received it are as follows:

Oregon, 18; Georgia, 17; North Dakota, 16; Washington, 13; South Dakota, 12; California, 11; Kansas, 11; Wisconsin, 11; Oklahoma, 10; Tennessee, 10; Texas, 10; Utah, 10; Alabama, 9; Colorado, 9; Idaho, 9; Minnesota, 9; Virginia, 9; Arkansas, 8; Kentucky, 8; Nevada, 8; New Mexico, 8; New York, 8; Vermont, 8; Illinois, 7; Mississippi, 7; Montana, 7; Ohio, 6; Pennsylvania, 6; Nebraska, 5; Arizona, 4; Indiana, 4; Iowa, 4; Louisiana, 4; Maryland, 4; Michigan, 4; South Carolina, 4; Missouri, 3; New Jersey, 3; North Carolina, 3; West Virginia, 3; Connecticut, 1; Florida, 1; and Rhode Island, 1.

Farmer Asset and Debt Changes

Total agricultural assets in the United States on January 1, 1947, were \$111.2 billion, according to the second

Purebred cattle and pedigreed poultry in the Chenango County Clearing House exhibit at Chenango County, New York, Fair. Graph on wall shows milk price trends from 1917 to 1947. Prize was offered for best guage on price of milk next June



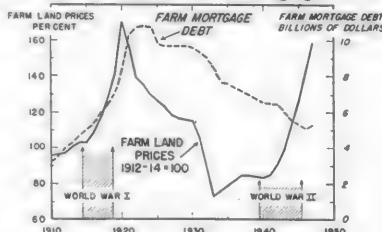
1947 farm land price bulletin of the Agricultural Commission of the American Bankers Association. This bulletin is being distributed to member banks by the secretaries of the state bankers associations.

More than half of the above amount, or \$58.6 billion, was in farm land and buildings, reports the Commission. During the period from 1940 to 1947, land values, because of price increases, rose \$25 billion. The financial assets of farmers have increased from \$5 billion on January 1, 1940, to \$22.1 billion on January 1, 1947.

Debts of farmers as a whole declined from \$10 billion on January 1, 1940 to \$8.4 billion on January 1, 1947, or slightly more than \$1½ billion during this period. This reduction of debt, when combined with an increase in assets, has placed agriculture in a favorable financial position.

The large reserve of financial assets accumulated by agriculture during the war period, if soundly conserved, will help in making the necessary farm readjustment in the years ahead. On the

Farm Land Prices and Mortgage Debt



other hand, farm debt for the United States as a whole increased during 1946 for the first time in several years and may indicate an upward trend.

Maryland Adopts Soil Program

Following the example of 40-odd other state associations over the country, the Maryland Bankers Association at a recent meeting at College Park adopted a soil conservation program patterned along the lines suggested by the Agricultural Commission of the American Bankers Association in its manual "What Bankers Can Do About Soil Conservation."

The MBA program adopted at College Point includes the following planks:

- (1) Publicizing the need and importance of soil conservation through various media;
- (2) arranging and sponsoring tours and field days for farmers and businessmen;
- (3) encouraging banks to appoint a soil conservation committee or representative to work with county agents and soil conservation district supervisors;
- (4) stimulating farmer interest in the adoption of sound soil conservation practices;
- (5) broadening of school conservation teaching programs;
- (6) encouraging soil conservation contests for both adults and young people and offering awards to the winners; and
- (7) educating city people to their dependence upon the soil and enlisting their cooperation in stimulating farmer interest in conservation methods.

The agricultural committee, under (CONTINUED ON PAGE 52)

Products of INTERNATIONAL HARVESTER



What the International Harvester symbol means:



TRUCKS—The complete line of International Trucks offers the farm operator a wide choice of models and sizes to fit his exact needs. For more than 40 years farmers have relied on Internationals.



FARM EQUIPMENT—Farmall farming will mechanize any farm. There are 5 sizes of Farmall Tractors, with specially-designed equipment for all jobs. Illustrated: Farmall M and No. 30 Power Loader.

Products to save labor, increase production and provide better living.

A business begun 116 years ago with an important service to mankind—the invention of the reaper by Cyrus Hall McCormick.

A company dedicated, since its beginning, to the progress of agriculture, to a better way of life for the men, women and children who live and work on the six million farms of these United States.

Twenty-one plants to manufacture International Harvester farm tractors, farm machines, motor trucks, crawler tractors, industrial tractors, gasoline engines, diesel engines, and home and farm refrigeration.

Two hundred and twelve branches and company-owned outlets, and more than 9,000 dealers, to distribute International Harvester products and to supply after-sale service.

Excellence of product now, with greater excellence always in preparation for the future.

INTERNATIONAL HARVESTER CO.
180 N. Michigan Ave. Chicago 1, Ill.

Tune in James Melton on "Harvest of Stars" every Sunday! NBC Network.



CRAWLER TRACTORS—Many large-scale farm operators prefer International Crawler Tractors for specialized farming. They know they can depend on them for reliable low-cost power.



REFRIGERATION—Beautifully designed, efficient... new International Harvester Refrigeration brings new leisure and convenience particularly to the rural home-makers of America.

News for Country Bankers

(CONTINUED FROM PAGE 50)

the chairmanship of Hubert P. Burdette, president, First National Bank, Mt. Airy, Maryland, has scheduled a series of five or six meetings this Fall, in cooperation with the Federal Reserve Bank of Richmond. These meetings will be devoted entirely to agriculture, with special emphasis on soil conservation.

Emphasis on Soil Erosion

The citizenry of Frederick, Maryland, and environs are getting an elementary and advanced course in soil depletion through erosion and the need for conservation farming through a series of newspaper advertisements over the signature of The Citizens National Bank of Frederick and personal contact with the bank's outside agricultural representative, Nevin Baker.

The bank has done an excellent job of keying copy to thought-provoking headlines. Ad headline examples: "What Happened To The Promised Land"; "Flood Control On a Practical Basis"; "The Greatest Wealth of Frederick County"; "Farming Is Big Business Now"; "Because Farming Is Big Business"; "Farmers!"; "Greater Farm Production"; "Soil Conservation Always Pays Dividends"; "Farming On the Level"; "Let's Go to War Against Erosion"; "TOPSOIL . . . Our Most Valuable Resource"; "Abusing The Land"; "What Is Contour Farming"; and "Making Your Land Produce More."

The Citizens National has tied its farm relations department into its soil erosion educational campaign in several of its advertisements. Mr. Baker, who

joined the bank in April 1946, is a graduate of the University of Maryland Agricultural School. He divides his time between the bank and making calls upon farmers and attending farmer meetings. On his visits to farm customers he inspects their farms and advises with them on the best farming methods and offers other assistance.

The bank has a display case in its lobby, where it exhibits photographs of local farm operations. It emphasizes through the displays various phases of conservation, such as strip cropping, terracing, retirement of eroded lands to permanent pastures, reforestation, etc.

Although Mr. Baker does not have authority to make loans on the spot, he does act as an intermediary between the farmer and the bank's loan committee. The bank is building a credit file on all of its loan customers and is giving particular attention to farm borrowers.

In commenting upon the effectiveness of its program, President Holmes D. Baker states:

"Our loans have increased very satisfactorily since we have been in this line of work and I believe that a lot of it is due to the statements that we have made in the last year in regard to agriculture—our county's largest and most important industry."

"Our work (in soil conservation) is receiving statewide recognition," said President Baker, "and the information that we have published is being passed around by the Maryland Extension Service to a number of the other banks which have shown an interest in this department."

R. I. Bankers Buy 4-H Achievement Pins

A \$100 fund to purchase 4-H Club achievement pins has been created by the Rhode Island Bankers Association to encourage 4-H members.

Land Price Warning Folder

"Bankers Seek to Curb Farm Boom-Bust," an article appearing in a recent issue of *The Christian Science Monitor*, has been reprinted in a direct mail folder by the Advertising Department of the American Bankers Association. This folder may be ordered by banks in quantity lots for distribution to their customers as a warning against the dangers of further spiraling of farm land prices.

Before taking this step, the agricultural committee, of which Robert G. Cooke, manager of the farm loan department of the Industrial Trust Company, Providence, is chairman, invited the state 4-H leader to a meeting of the committee and asked for a recommendation as to how the association could best assist in 4-H work.

"It was his opinion that the purchase of achievement pins would be the most worthwhile project for our first venture in assisting 4-H Club workers in the state," said Mr. Cooke.

The agricultural committee referred the 4-H leader's recommendation to the RIBA and it was approved.

Cuba Honors SCS Chief Bennett

A gold medal and the Cuban Order of Merit have come to Hugh Bennett, chief of the Soil Conservation Service, in recognition of extraordinary services to the government and people of the Island Republic two decades ago. The award, made through the National Agricultural and Industrial Society, confers the rank of *Comendador* (Knight Commander) in the society. It sets forth Bennett's "eminent services lent in the interest of the national economy" when he was leader of a cooperative project between the Tropical Plant Research Foundation of Cuba, the Cuba Sugar Club, and the United States Department of Agriculture.

Bennett's survey is recorded in the book, "Soils of Cuba," one of the most significant studies ever made of so large an area. This survey became the heart of Cuba's modern agricultural program—the physical basis of its revitalized sugar-cane industry. It called for extensive readjustments of land use to fit land capabilities on more than a quarter million acres, on most of the huge centrals (sugar plantations).

When the survey was started, the

(CONTINUED ON PAGE 71)

Please Read This and Think It Over

WE WOULD LIKE TO REPEAT

43,200 tons of soil went down the Monocacy River in the 24 hours of May 22, 1947. And that was not a flood—the river was never out of its banks!

The sample for the above calculation was taken at the surface of the water—had it been from a lower point in the flow, the amount of sedimentation would have reached a much more startling figure. And remember, we are speaking only of the soil in the river water—no mention has been made of the silt that has settled on and along our highways, in drainage ditches, in smaller streams and in the valleys!

As a result of these uncontrolled waters in the past, over 40% of the topsoil in Frederick County is gone!

Section of an eye-catching newspaper advertisement used by The Citizens National Bank of Frederick, Maryland, in its campaign to drive home the urgency of soil conservation

No. 11 in a Series of Farm Community Builder Stories . . .

We've never had a Loss on BROILERS or TURKEYS

says DANA S. MARSH, CITIZENS NATIONAL BANK, WOODSFIELD, OHIO



Banker Dana S. Marsh

Mr. and Mrs. George F. Reed, Grower

Purina Dealer E. C. Hastings

"Ours is a conservative bank," says Mr. Marsh, "but we have found turkey and broiler financing a profitable and worthwhile venture. In the Citizens National's 14 years in business, we've never lost on broilers or turkeys."

Part of this success—and part of the growth of the turkey and broiler industry in Monroe County—he credits to E. C. "Ernie" Hastings, the Purina Dealer at the Hastings Feed Store. When Hastings opened his store next door to the bank ten years ago, neither he nor Banker Marsh realized how important they would become to each other.

Mr. Marsh used to watch Hastings grow turkeys and broilers in his store window. Farmers were interested, but

didn't have the money to carry many turkeys to market age. Hastings couldn't finance them either. Purina helped a few feeders the first year, but suggested that the local banker was better qualified to handle this job.

Hastings and Banker Marsh began working together and within five years the turkey industry increased 30-fold in Monroe County. Since then some growers haven't needed financing and a few changed to other feeds when Purina was unable to supply them, but the basic growth of the turkey and broiler industries resulted from their work together.

Turkeys alone accounted for 1/2 million dollars additional income to Monroe County in one year.

Grower Reed started in 1942 with 350 bronze turkeys in a small shed shown in the background. Now he grows more Black Spanish, like the one Dealer Hastings holds.



Dealer, Banker and another grower, Donald S. Hogue, viewing the turkey unit on the Hogue hillside farm. Hogue credits the banker-dealer combination with making his growth possible.

Partners in COMMUNITY BUILDING

THE PURINA DEALER IS A MAN YOU SHOULD KNOW

Rural bankers in many other communities are finding their Purina Dealer a good man to know. He and his employees contact farmers day in and day out. They know when the farmer needs banking service, they know when the banker has a good risk and a bad risk. Have you ever discussed your services with the Purina Dealer? Make it a point to do it soon. Working together . . . Banker and Dealer . . . you can build your agricultural community.

RALSTON PURINA COMPANY
Headquarters, St. Louis 2, Mo.



THE INVESTMENT MARKET

H. EUGENE DICKHUTH

MR. DICKHUTH is a financial writer on the staff of The New York Herald Tribune and is a regular contributor to BANKING.

THE rapidity of recent price increases which were generally regarded as harboring within them the germs of a "bust," coupled with the British and European crises, have placed quite a damper on the securities markets. What disturbed observers particularly was that prices of food and farm products continued to shoot upwards, while the pattern of the post-World War I period led to the expectation of a sharp decline long ago.

It is relatively immaterial that demands from war-devastated Europe and famine stricken Asia are far greater than the exportable surpluses of this hemisphere and Australia and that these factors will keep up prices for some time to come, barring a reinstitution of rationing.

The shock of this discovery and the complete lack of any long range plan in either Washington or London to solve the British and Continental problems, are at the bottom of the pessimistic feeling in many quarters, where it is admitted, however, that runaway prices have their bullish short-term implications, such as inventory profits and low depreciation charges, which make corporate earnings look enormous.

Corporate Earnings Show Increase

The net income of 402 companies with common-stocks listed on the New York Stock Exchange, owing to such circumstances, showed a composite increase of 97.9 percent for the first six months of this year, against the first half of 1946. The largest rise was registered by steel, iron and coke which reported a boost of 155.3 percent, followed by the machinery and metal group, which was up 148.8 percent, and by leather and shoe manufacturers, whose net earnings were up 139.9 percent.

Financial businesses listed on the Exchange reported a decline in net income of 19.6 percent. The largest drop was shown by transportation services, which were off 38.1 percent, followed by retail merchandising, which was down 23.2 percent.

New Treasury Offering

The most important development in the government securities field was the Treasury's offering of a 2½ percent 18-year non-marketable issue, dated October 1 and to mature October 1, 1965—the first such securities since the Victory Loan drive. The bonds will be similar to savings obligations Series G, because they are redeemable at discounts before maturity in order to make their yields conform to the pattern of interest rates on marketable Treasury securities.

No definite amount was offered, but subscriptions were to be filled in full. The issue is reserved for savings institutions such as savings banks, savings and loan associations, life insurance companies, etc., and to commercial banks with

savings accounts up to \$250,000. Commercial bank subscriptions may not be in excess of 25 percent of the increase in their thrift deposits between December 31 and June 30, alternatively.

The market did not regard these bonds as too attractive. They, nevertheless, are absorbing institutional buying power which otherwise would have gone into other long term issues at higher prices.

How many eligible commercial banks are taking the opportunity of subscribing is an open question. The fact that the new obligations must be held for 12½ years before they will yield as much as the bank-eligible 2½'s is disliked by many financial institutions. It boils down to the argument that unless a bank feels that the amount of its subscriptions will not be needed for 12½ years, investment of funds in open market securities is more practicable and, therefore, preferable.

War Loan Account Retained

It may be mentioned in passing that the retention of the war loan account payments for the new issue is an interesting procedure. It will increase government deposits in commercial banks appreciably, but these funds will probably have to be called, in part, to pay off some 4¼'s on October 15.

A milestone was also reached in the first part of September, when dealers were quoting certificates for the first time below par at about 99.995 bid. In the general program of instituting slightly higher rates for short term securities, the Federal Reserve banks are still feeling their way. Informed speculation is now that the Treasury bill yield may stabilize itself at about 0.80 percent.

The outlook continues to be for stable prices in government securities of all brackets. Within this relative stability minor downward adjustments would seem more feasible than a general upward movement.

Cashing of terminal leave bonds by veterans, reported at substantial levels from various parts of the country, affects merely the cash position of the Treasury, not the budget. The obligations were charged off last year.

Railroads and Utilities

The increase in interstate commutation fares granted recently to the railroads is expected to be followed by a rise in freight rates. This, too, it is felt, should help the operating results of the major carriers. One of the major rail reorganizations ended on September 11, when the Connecticut United States District Court authorized the New York, New Haven and Hartford Railroad, in receivership since 1935, to resume management of its affairs.

Utilities and municipals continued as active issuers of obligations. Among the companies in the Bell System it was noted by American Telephone & Telegraph Company that

(CONTINUED ON PAGE 82)

If you want...

timely assistance on your investment portfolio

prompt information on credits, foreign trade,
bank operations, or other banking and trust
problems

diligent attention to all the daily services re-
quired of a New York correspondent

personal cooperation whenever an out-of-the-
ordinary situation arises

...call on Central Hanover!



CENTRAL HANOVER
BANK AND TRUST COMPANY
NEW YORK

Member Federal Deposit Insurance Corporation



BUILDING for the Future



Mortgage Merchandising

TO STIMULATE an increase of home loans throughout the bank, CITIZENS NATIONAL TRUST & SAVINGS BANK OF LOS ANGELES recently participated in the Second Annual Home Show and Construction Industries Exhibit at the Pan-Pacific Auditorium. Total paid attendance for the 10-day show passed the 100,000 mark. CITIZENS BANK booth was manned from noon to 11:00 P.M. daily by representatives of both the real estate loan and instalment loan departments of the bank, answering questions on FHA and other home modernization plans. Many new prospects for bank loans were developed. Over 20,000 copies of a booklet, *Things to Know About Buying or Building a Home*, were distributed during the show, in addition to a great deal of literature on Title I loans, veterans loans, and home appliance financing. During the show, and immediately afterward, several mortgage loans directly traceable to contacts made at the show were consummated. Since its close, further prospects have been developed as direct leads from the bank's participation.

MOST successful form of promotion of real estate loans used by SECURITY-FIRST NATIONAL BANK OF LOS ANGELES recently has been model houses. At one time, the bank had a dozen small models circulating among its branches. It now shows two large models used in two yearly home shows. Before the war, the bank mounted architect's drawings and floor plans on large display boards for lobby use. The display appealed to the same market as the model house.

SECURITY-FIRST distributes three informative and illustrated booklets on housing: *Build for Happiness*, *Useful Facts About Home Building*, and *Landscaping the Small Home in Southern California*.

Citizens National Trust & Savings Bank of Los Angeles participated in the Second Annual Home Show and Construction Industries Exhibit at the Pan-Pacific Auditorium

MOST productive of AMERICAN TRUST COMPANY'S (San Francisco) promotional aids in building mortgage volume has been a booklet called, *Things To Know About Buying or Building a Home*. Offered through magazine and newspaper advertisements to prospective home buyers, the bank has distributed more than 50,000 copies. The bank has also distributed slide rules showing the estimated monthly loan payments on FHA loans. (See illustration on Page 62.)

AMERICAN TRUST uses considerable outdoor space in promoting mortgage loans and finds the medium most effective. A lobby poster in the same copy and design as the outdoor board in each of the bank's offices gives it a direct tie-in.

THE STATE SAVINGS BANK, Hartford, Connecticut, circularized 5,000 selected customers and received requests from 1,000 to be placed on the mailing list to receive the Home Planners bulletins available through the Advertising Department of the A.B.A.

ST. JOSEPH VALLEY BANK of Elkhart, Indiana, holds frequent realtor meetings, to explain GI procedure, FHA procedure, and the various methods by which its loans are made. The bank goes out of its way to assist realtors, helping them to create deals and preserve their commission.

Veterans Thank Bank

IN GRATITUDE for a housing project initiated by THE CLEVELAND TRUST COMPANY in Painesville, Ohio (stories in BANKING's July 1946 and May 1947 issues), which enabled them to obtain homes for less than \$6,000 cash, 50 veterans passed the following resolution:

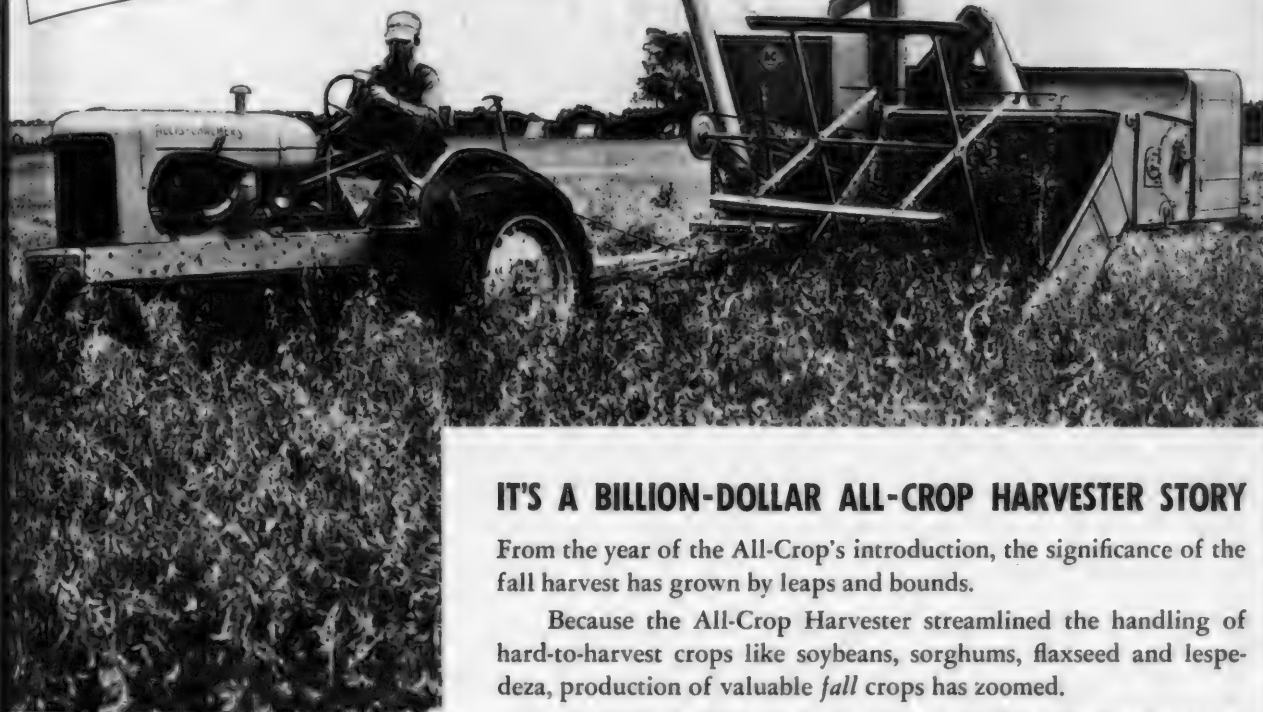
(CONTINUED ON PAGE 60)

Model houses displayed by Security-First National Bank of Los Angeles. At one time the bank had a dozen small models circulating among its branches



Billion-Dollar Fall Harvest!

ALL-CROP HARVESTER HARVESTING SEASONS		
SPRING	SUMMER	FALL
Gross Seed Crimson Clover Alsike Other early legumes Etc.	Wheat Oats Barley Rye Etc.	Soybeans Sorghums Flaxseed Lespedeza Other late legumes Etc.



IT'S A BILLION-DOLLAR ALL-CROP HARVESTER STORY

From the year of the All-Crop's introduction, the significance of the fall harvest has grown by leaps and bounds.

Because the All-Crop Harvester streamlined the handling of hard-to-harvest crops like soybeans, sorghums, flaxseed and lespe-
deza, production of valuable *fall* crops has zoomed.

Soybeans for beans spiralled from 23 million bushels in 1934, to 197 million in 1945 — over 850 percent increase! Grain sorghums, same period, almost tripled their acreage. Flaxseed jumped from roughly one million to nearly four million acres! Farm dollars from lespe-
deza seed multiplied from four million past the 20 million mark.

The rich, fall harvest demands the kind of performance for which the All-Crop Harvester is famous — a harvester with rubber-shelling contacts . . . header with ability to get down low and to reach up high . . . attachments for special crops and conditions . . . quick cylinder speed changer and other features "wrapped up" in a one-man family-farm size machine. The fall harvest is primarily an All-Crop harvest.

"A SERVICE TO AGRICULTURE"

THE NATIONAL FARM AND HOME HOUR

News — Markets — Music

Every NBC Station • Every Saturday

ALLIS-CHALMERS
TRACTOR DIVISION • MILWAUKEE 1, U. S. A.

In 1928 the first Recordak
microfilmer was installed—in a bank



Today, it's used



en thousands of leading banks all over the world

**One of the most dramatic success stories . . . this . . .
in the banking machine field. And here are
some of the reasons why**

The idea is great—the idea of using photography to bring new protection, new efficiency to bank systems. That's the first reason Recordak microfilming has gone so far . . . so fast . . . in banking.

The second reason? . . . the equipment itself, the recording and viewing equipment that make the idea workable. Kodak-designed, this equipment is one of the best-integrated photographic engineering jobs that have ever been turned out.

Take the machine mechanism, for example. It's simplicity itself to operate. Movement of film and documents is synchronized. With fixed illumination, fixed aperture, fixed exposure, documents take their own picture. No film waste.

Or take the lenses. Designed specifically for microfilming, they produce images so sharp—

even when documents are reduced 24 times—that the enlarged images on the Film Reader are as legible as the originals.

Third reason . . . the organization behind Recordak microfilming—a nation-wide organization with service facilities in 20 key cities—an organization with a bank-trained staff that knows bank systems as thoroughly as it knows photographic equipment.

For more information about Recordak microfilming . . . for complete details about its application to banking systems . . . write for "IN BANK AFTER BANK AFTER BANK."

RECORDAK CORPORATION

(Subsidiary of Eastman Kodak Company)

350 Madison Avenue, New York 17, N. Y.

 **RECORDAK**

(Subsidiary of Eastman Kodak Company)

**originator of modern microfilming—
and its application to banking systems**

Building for the Future

(CONTINUED FROM PAGE 56)

"Whereas, various individuals, concerns and organizations are jointly responsible for the successful completion of the homes on Hawthorne Drive, Painesville Township, now being occupied by 50 veterans of World War II and their families, and:

"Whereas, it has previously been impossible for these 50 home owners to properly advance adequate expression of appreciation for the interest and consideration given this project;

"Therefore, be it resolved, by the property owners of the Hawthorne Drive Allotment that public acknowledgment hereby be made to THE CLEVELAND TRUST COMPANY for all the many services tendered this housing project.

Respectfully yours,
The Residents of Hawthorne Drive"

Industry-Engineered Homes' Book

HERE'S a *Better Way to Build*, a new book sponsored by the National Retail Lumber Dealers Association and the Producers' Council, "is the result of two years of research and cooperation within the building industry for the purpose of reducing costs of small home construction through the coordination of designs and building materials with better building methods," according to its sponsors. The product of this effort is the "Industry-Engineered Homes Program."

"While of necessity the program has been focused upon two house plans with variations, the basic aim of the study has been to establish general principles which will be applicable to small home building throughout the country, and which can be applied by architects and builders to any scale of operation," the sponsors state. Industry-Engineered Homes were described in detail in *BANKING* for March 1947.

Three N. Y. Housing Propositions

OVER 100 leaders in the fields of public life, religion, banking, real estate, insurance, commerce, labor and other fields



Citizens National Trust & Savings Bank of Los Angeles is using a series of typical Southern California scenes to decorate its branch banks. The murals, rotated from branch to branch every three or four months, are 60" x 90" photographs, taken expressly for the purpose

were appointed co-chairmen of a statewide citizens committee of 1,000 in New York to sponsor approval of three housing propositions to be voted on by the electorate this Fall.

The first proposition to be voted on provides for the creation of a new \$135 million slum clearance and public housing fund to be added to the current \$300 million fund which, according to State Housing Commissioner Herman T. Stichman, is already substantially committed. The second proposition provides that the maximum amount of state subsidies outstanding in any one year to help maintain the low rent character of state-aided public housing be increased from the present \$9 million to \$13 million to service the increase in the capital loan fund. The third proposition provides that the permissible amount of public housing subsidies contracted for by the state in any one year be increased from the present maximum of \$1 million to \$1.5 million.



"Like I said, most of the high building costs are going for labor"

California GI's Have Biggest Average Loan

VETERANS living in California borrowed an average of nearly \$7,800 apiece to buy and build homes under the loan provisions of the GI Bill, the highest average in the country and more than \$2,000 above the nationwide figure of \$5,729, according to the Veterans Administration. The section of Southern California encompassed by the VA regional office in Los Angeles reported loans averaging \$100 higher than the over-all California figure.

Of all VA's 13 branch offices, No. Nine, embracing Kansas, Oklahoma, Missouri and Arkansas, accounted for home loans with the lowest average, \$4,649, or more than \$1,000 below the national figure.

Mortgage Debt Up

TOTAL mortgage debt of the country went up last year, reversing the trend of recent years, and stood at \$34,720,784,595 on December 31, 1946, as against \$30,417,975,387 a year earlier, an increase of 31.4 percent, according to the annual compilation of the Mortgage Bankers Association. Since the 1946 trend is continuing this year, another rise in mortgage debt in 1947 can be expected.

Federal agencies continued to get out of the mortgage field at a rapid rate while private interests expanded their holdings. Of total United States mortgages, government agencies hold 6 percent, private lenders the other 94 percent.

By classes of lenders, banks are supplying most of the mortgage money, with 30 percent of the total. Individuals, mortgage companies and other lenders were second with 23 percent; and savings and loan associations have replaced life insurance companies as the largest single class of institutional investor.

Confidence in "Prefabs"

PRODUCERS of factory-built homes on the Pacific Coast are making steady progress, but the "opportunists" are being forced into other fields, according to Harry H. Steidle of Washington, D. C., manager, Prefabricated Home Manufacturers Institute, who recently completed a 5,000-mile trip in which he visited the major home prefabricators from Los Angeles to Seattle.

Mr. Steidle said confidence in the future of the industry on the West



■ A cotton fiber content paper in a broad range of colors, Chieftain Bond is especially suitable for printing and lithographing. It has sturdy texture, impressive feel, appearance and uniformity. Chieftain Bond is used largely for business stationery, company letterheads and envelopes, sales letters, office forms and other semi-permanent documents.



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HOME OFFICE
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CONSUMER CREDIT INSURANCE



The Pioneer Independent
Company . . . Exclusive
Specialization since 1926
Operating Coast to Coast

Insurance on the Debtor... in favor of the Creditor

AN ESTIMATED MONTHLY LOAN PAYMENTS									
Borrow from your bank	VALUE OF PROPERTY AMOUNT OF LOAN		80%	20 YEAR LOAN		Figures for taxes and fire insurance vary and these are estimates only			
	Amount paid interest per month	\$ 4.00	\$20.00	Amount paid principal per month	\$ 4.00	1000	2000	3000	4000
	Estimated taxes per month	\$ 1.00	\$ 1.00	Estimated taxes per month	\$ 1.00	1000	2000	3000	4000
	Estimated fire insurance per month	\$ 1.00	\$ 1.00	Estimated fire insurance per month	\$ 1.00	1000	2000	3000	4000
	TOTAL MONTHLY PAYMENT	\$ 6.00	\$ 6.00	TOTAL MONTHLY PAYMENT	\$ 6.00	\$2,000 to \$7,200			
BUILD YOUR CREDIT-STANDING FOR THE FUTURE	VALUE OF PROPERTY AMOUNT OF LOAN		80%	20 YEAR LOAN					
	Amount paid interest per month	\$ 3.00	\$15.00	Amount paid principal per month	\$ 3.00	1000	2000	3000	4000
	Estimated taxes per month	\$ 1.00	\$ 1.00	Estimated taxes per month	\$ 1.00	1000	2000	3000	4000
	Estimated fire insurance per month	\$ 1.00	\$ 1.00	Estimated fire insurance per month	\$ 1.00	1000	2000	3000	4000
	TOTAL MONTHLY PAYMENT	\$ 5.00	\$ 5.00	TOTAL MONTHLY PAYMENT	\$ 5.00	\$3,000 to \$10,000			

American Trust Company distributes slide rules, showing monthly payments on its mortgages

Coast was expressed in the building of a number of new plants exclusively for the factory production of homes and by the good public acceptance which he found for the products of these factories.

"The greatest alarm seemed to come from the opportunists located chiefly in California, who rode prefabrication's band wagon at a time when they could nail together a few pieces of lumber under the guise of prefabricators in order to take the 'mark-up' authorized by OPA," Mr. Steidle declared. "Most of them dropped from the scene with the removal of government supports and others are being forced to the conclusion that their operations are not competitive in normal times."

was devoted to prefabrication of structures and structural parts, developments in building research, and technical problems of primary interest to building officials.

Architects Exhibit American Way of Life

A COMPREHENSIVE pictorial exhibit of life in the United States and of the way people live, work and play in that country will be displayed to the architects of North and Latin America in Lima, Peru, Julian Clarence Levi, chairman of the committee on international relations of The American Institute of Architects, has announced.

"The exhibit, which was prepared by The American Institute of Architects and The American Institute of Planners, in collaboration with the United States Department of State, will have its first public showing at the Sixth Pan American Congress of Architects which will meet in Lima October 15 to 25," Mr. Levi said.

"Consisting of 50 panels, four feet square, the exhibit will give the architects of the Western Hemisphere a representative and accurate picture of the physical plant of the United States."

Building Officials Meet

BUILDING code administrators, technicians, research specialists and industrialists directed their attention to building code reform, construction trends, and advances in the art of building through research at the joint annual meeting of the Building Officials Conference of America, Inc., and the Building Officials Foundation, held in Columbus, Ohio. Considerable attention

Attractive interior of the new Hayes Barton neighborhood branch of the Raleigh (North Carolina) office of The Wachovia Bank and Trust Company is finished in pine paneling and appropriately designed wallpaper with matching fixtures and counters



Sound Investments

...that's the result
when you modernize
your store properties



PRESENT OCCUPANTS are satisfied . . . prospective tenants are attracted . . . you achieve sounder investments, when you modernize your store properties. This "Pittsburgh" remodeling of a property in Milwaukee, Wis., is typical of many hundreds of stores that have been given greater eye-appeal and attraction-power with Pittsburgh Glass and Pittco Store Front Metal. Architects: Ebling & Plunkett.

EVEN though the demand for store space exceeds today's supply, merchants nevertheless exhaust every effort to find a place that is modern, smart-looking. They know that the store with eye-appeal—inside and out—attracts and draws more customers; brings them more business and greater profits than does a store with an unattractive appearance.

So, if you want really sound investments—store properties that will bring you bigger revenues and assure easier renting . . . modernize the properties you handle now with Pittsburgh Glass and Pittco Store Front Metal. To assure a well-planned, economical design, consult your architect. Our staff will be glad to assist you and him in every way.

We believe you will be interested in receiving a copy of our free booklet, "How Eye-Appeal—Inside and Out—Increases Retail Sales." It will show you how hundreds of store properties have been transformed into better revenue-producers. Send for it today.

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The Broad Field of Public Relations

A recent speech on public relations by Robert W. Kneebone, deputy manager of the American Bankers Association, is excerpted for BANKING's readers because of the wide interest in this subject.

ABOUT one-third of all the adults in America—some 36,000,000—are today between 25 and 35 years of age. In 1930, these people were either very small children or approaching adulthood. Nearly all their sense of values

has grown out of a period: (1) Of world-wide depression and total war; (2) of one domestic political regime dedicated in large part to modifying the traditional concept of American life; (3) a period of dramatic economic and social experimentation all over the world; and, (4) a period highlighted by idle factories, labor disputes and something-for-nothing economics.

We should realize that to these people the good old days of free enterprise

mean little. They have not been exposed to it to any great degree. This public believes that industry makes from 15 percent to 35 percent profit and thinks that 5 percent to 15 percent would be fairer. This public is not sure that a machine can create more jobs than it replaces, nor does it understand secondary boycotts or what productivity has to do with wages and prices.

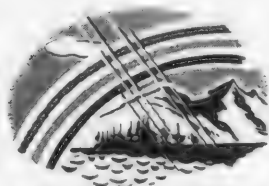
All business begins with the public's permission to exist. The public lays down rules—partly through laws, partly through public opinion. Someone has said that conduct of business is 90 percent in *what is done*—10 per cent in *explaining*. That 10 percent is very important.

Public relations must be pointed in a number of different directions. I will indicate several of them, though not necessarily in the order of their importance. Circumstances in individual banks will determine them. Some of these fields may be neglected or badly handled. A sound public relations program incorporates them all.

THE people who made the bank possible—your stockholders—are a most important group. They should be constantly kept informed of the progress the bank is making in letters that accompany their dividend checks. They should be told how the bank is helping meet the community's business problems through the use of the bank's funds—thus further securing their own investment. Every effort should be made to enlist their active interest in the development of the bank's business. Their participation should be encouraged beyond their ownership of the bank's stock.

The annual report is one of the most valuable tools of public and stockholder relationship. Distribute it to those who exercise influence and whose opinions carry weight. Stockholders should be interested in the long range objectives of the bank, as much as in the current dividend rate.

Next comes the board of directors. These men, chosen for their business ability and their knowledge of the community, should by all means take an active part in the program of the bank. They determine the direction it shall take. Their wide contacts in the business life of the community afford many opportunities to know of business changes and new operations, which may be directed to the bank, either as



RAINBOW, OREGON
has no bank



PROSPECT, MONTANA
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new accounts or for follow-up by the staff. Some banks probably consider it beneath the dignity of a member of the board of directors to "sell the bank." In others, directors pride themselves on the fact that they never ask a man, or a business, for an account.

But fortunately most bank directors are positive forces. They can influence suitable personal and business accounts in the direction of the bank. They can, through their prominence and participation in community enterprises, like chambers of commerce and community chests, show leadership which reflects credit on the bank. They can aid in the development of substantial loan opportunities, provide introductions when possible, and direct the bank's attention to business which the banker can better follow. Their contacts frequently are also with the most logical trust prospects.

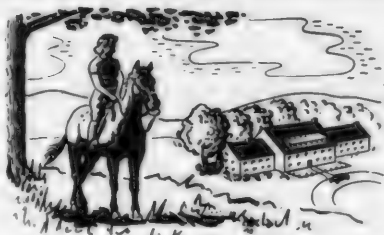
A most important field and one which is commanding even more careful attention at the moment, is the matter of employee relationships. The bank is exactly what the customers find in the people within it. Through every contact the employees have, whether they be personal, over the phone, or by letter, the bank's prestige is built or torn down. They represent the bank's personality.

The conditions under which they work, in large part, develop a proper attitude—and a similar reaction from

the customers. If they are treated with consideration by the management, they are likely to respond with service of a character of which they are capable. They must also be provided with a thorough understanding of the program of the bank and the part their operation represents in the bank's total service.

The most important group that any bank has to deal with is its customers. These are the people who make the bank possible. Nothing should be taken for granted in their consideration. Every effort should be made to be sure they are aware of the various bank services that are available to them.

In its community relationships a bank has a splendid opportunity to demonstrate its neighborliness. This can be done through its participation in worthwhile community building activities. Through these means it can develop a reputation for helping make the town. Its participation should be active in all manner of good community promotions, for through them goodwill in the bank's interest can be developed to a wide degree. In this way the bank may become known as the best friend of business, of farmers, of veterans and all other groups, whose goodwill is essential.



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Missouri's famous Ozarks offer highly attractive prospects for the major-resort builder. Picturesque hills, blue lakes, winding streams beckon vacationists from all sections of the nation. Those who invest in superior resort hotels, quality lodges and guest ranches in this beautiful Vacationland will attract a wealth of the better tourist trade. Let us send you further information on Missouri recreation opportunities. Write us today.

Missouri Division of
Resources and Development
Jefferson City, Mo. Dept. III

I-8



"You know, Mr. Swenson, you're not the first one to say the same thing about that dog."

October 1947

Growing with Georgia

With the establishment or planning of 381 new industries during the first half of this year, the state's all-time record was broken.

We count ourselves fortunate to be sharing in the development of Georgia industry and growing in stature with the state and the south.

Each forward stride of this vigorous young industrial giant brings increased prosperity to the region, to its citizens, to us, and to our banking correspondents.

WE INVITE YOU TO JOIN OUR GROUP



The **Fulton** NATIONAL BANK
COMPLETE SERVICE AT 11 OFFICES IN METROPOLITAN AREA OF ATLANTA

MEMBER FEDERAL RESERVE SYSTEM
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



JOHN RENÉ VINCENS

The author is an attorney in the Legal Department of the American Bankers Association, New York City.

Powers of Federal Reserve Board

IT is beyond the lawful powers of the Federal Reserve System to require as a condition precedent to membership that a state bank agree to withdraw from the System if any of its stock is later acquired by a bank holding company.

The United States Court of Appeals for the District of Columbia has held that Congress did not intend to authorize the Federal Reserve Board to arrest the extension of bank holding companies, and that failure to grant the Board's request for legislation allowing it to restrict them indicates that restriction was actually contrary to the intent of Congress.

The Board acknowledgedly has broad discretionary powers to regulate member banks so long as it acts within the limits defined by Congress. Beyond those limits, however, it impinges on congressional prerogatives, and use of restrictive conditions of membership as a device to check holding companies, is clearly beyond those limits.

It was further held that a bank was not legally barred from contesting the validity of any restrictive condition. While it is true that a bank cannot accept a condition of a statute in order to obtain a charter and later attack the validity of other provisions of that statute, there is no bar to attack upon an invalid condition imposed by an administrative body in contravention of statute. *Peoples Bank v. Eccles*, 161 F.2d 636. PATON'S DIGEST, *Banks and Banking* §1:5.

Trust Principal and Income

In the absence of statute, or a controlling provision in the trust instrument, the proceeds of an exchange of

corporate stocks belonging to a trust are to be applied to income or principal of the trust estate according to the intent of the corporation exchanging the stock.

This was the ruling in a suit before the Maryland Court of Appeals by the life beneficiary of a trust which had exchanged stock, on which dividends were in arrears, for cash and new stock of increased value. The beneficiary sought a portion of the proceeds as payment of accumulated dividends.

Maryland had adopted the A.B.A. recommended Principal and Income Act after creation of the trust. The act therefore did not govern the case and the court applied the general rule that increase in value of stocks is a capital gain and accrues to the trust principal.

The court said, however, that in applying the rule it looked to the "substance and intent of the corporation" as manifested by votes or resolutions of its directors to determine if exchanges similar to the one in question included payment of accumulated dividends. It was decided that there was no intent to declare a dividend and all of the proceeds were therefore assigned to principal. *Safe Deposit & Trust Co. v. Bowen*, 53 A.2d 413.

Adverse Claim to Bank Deposits

The A.B.A.-recommended Adverse Claim to Bank Deposit Statute provides that a bank need honor an adverse claim only upon court order.

The Supreme Court of New York has held, however, that the statute as enacted there applies only when an adverse claimant seeks actual payment. When it is merely sought to determine if funds subject to an adverse claim are on deposit, a sheriff's order to a bank to appear for examination of named deposits is sufficient. *Barber v. Maritime Suisse S. A.*, 70 N.Y.S.2d 540. PATON'S DIGEST, *Deposits* §6:3.

Endorser's Warranty

A New York decision presents an interesting discussion of the liabilities of banks and surety companies on endorsements of checks forwarded for collection.

A check, drawn by New York City and bearing a forged payee's endorsement, was received, endorsed and forwarded for collection by the Federal Reserve Bank of New York. The city did not notify the drawee bank of the forgery until after the expiration of a two-year statutory limit on its liability. The bank nevertheless reimbursed the city and a surety company, which made good the loss, then sued the forwarding bank.

In defense it was claimed that failure of the city to report the forgery within two years released the drawee from any liability; that the payment made thereafter was voluntary and without consideration; that it was contrary to public policy for the drawee bank to "enrich itself" at the expense of the forwarding bank when liability to its own depositor no longer existed.

The New York Municipal Court, in a decision affirmed by the State Supreme Court, held that the collecting bank's endorsement warranted the genuineness of all prior endorsements, and that its liability on that warranty was absolute and in no way dependent upon the liability of the drawee to its depositor.

The drawee was not required to rely upon the statute limiting the depositor's right of recovery and thus, payment to the city did not constitute a gift.

The court reiterated the general rule that when public policy does not prevent, a party may waive the benefit of a statute, and then stated an interesting proposition: "Sound business judgment may well dictate the wisdom of waiving that benefit in favor of a substantial depositor, especially when, as here, the bank has recourse to an amply responsible

(CONTINUED ON PAGE 68)

skylines... by Otis



In San Francisco, for example, there are 3,394 Otis elevators — more than all other makes combined. High-spot of this beautiful city is the famed "Top-of-the-Mark" Lounge, atop the Mark Hopkins Hotel (*upper left*). Two of the hotel's high-speed Otis elevators are reserved for express travel to the Lounge.

64-DINER QUESTION. Ever hear of a banquet in an elevator? Among the world's largest, the freight elevators in the Port of Authority Building in New York have a floor area of 17 by 34 feet — large enough to comfortably seat the 64 diners who held a banquet in one of them. These elevators can handle fully-loaded 10-ton trucks weighing up to 40,000 pounds at a speed of 200 feet per minute, and are just one more example of Otis' ability to build the right equipment for any materials-handling job.



HOW MANY MPH? In Escalators it's not "miles per hour" but men and women per hour that counts. Did you know, for example, that one Escalator can carry 8,000 persons in an hour — the equivalent of the entire population of Cleveland, in a week? Yes the 2,000 Otis Escalators now in service are doing a major transportation job — in retail stores, railroad stations, banks, and other public buildings.

ON THE LEVEL. Do you know a modern high-speed elevator *automatically* stops level at every floor? This Otis development, known as Micro Self-Leveling, continuously maintains the relation between the car and the elevator landings, automatically bringing the car to a fast, yet smooth stop. At each landing it corrects for over-travel or under-travel, irrespective of varying loads or direction of travel. Elimination of "car jockeying" adds to passenger comfort and saves a lot of time.

Have you a vertical transportation problem — in an office building, a factory, an apartment house, a store? If so, there is an Otis man in your city who will be glad to give you the benefit of our 94 years' experience.



ELEVATOR COMPANY

Offices in all principal cities



Legal (CONTINUED)

ble endorser or surety company. A waiver, in such circumstances, would not contravene public policy." *National Surety Corp. v. Federal Reserve Bank*, 70 N.Y.S.2d 636. PATON'S DIGEST, Forged Paper §§2B:1, 5, 17; 9:1, 2.

Municipal Taxation of Bank Accounts

A corporation's bank balance is an intangible asset. As such, regardless of its location, it may be considered for state excise tax purposes as located in the state where the corporation has its

commercial domicile. Income from the account is subject to taxation by that state. This is a well founded rule.

The Second Circuit Court of Appeals has now applied the rule to a New York City excise tax measured by the gross income of public utilities exercising their corporate franchise, holding property or doing business within the city.

According to the court, a corporation which had its principal offices in New York City, had its business domicile there and, on that basis, interest from its accounts in banks situated outside of the city, including a bank in Canada,

might be included in the measure of the city's utility tax. *In re New York, O. & W. Ry. Co.*, 161 F.2d 518.

FDIC Liability on Separate Accounts

Money represented by certificates of deposit constitutes a separate insured account for purposes of liability of the FDIC, according to a ruling of a federal district court in North Dakota.

A county treasurer had deposited county funds in a general checking account. State law required him to keep money collected for bond redemption in a separate account and he therefore purchased certificates of deposit for that portion of the general account representing the redemption funds. After failure of the bank, the FDIC refused to pay more than \$5,000, the maximum liability prescribed by law for each deposit held in "the same capacity and the same right," and the county brought suit.

The court, holding that the money represented by the certificates, although originally placed in the general account, was afterwards held in a different capacity and right, ordered payment of an additional \$5,000. It also ruled that the FDIC, in suits of this type, was not immune from assessment of court costs and interest as the usual incident of an unsuccessful law suit. *Billings County v. FDIC*, 71 F.Supp. 696. PATON'S DIGEST, Deposits §§23B:1, 23B:2, 23B:7.

Effect of Unpaid Instalments of a Note

That an assignee who takes an instalment note, with knowledge that one or more payments are overdue and unpaid is not a holder in due course as to any part of the note has been adopted as the general rule by a majority of the California Supreme Court.

A corporation, payee of certain instalment notes, had assigned them as security for a loan shortly after the first instalments became due. When the assignees later sued the corporation on the notes, the latter claimed that it had defenses of fraud and failure of consideration against the makers of the notes, and that the assignees, under the circumstances, took subject to those defenses.

Since a holder in due course takes a note free from defenses that might be asserted between prior holders, the case turned on whether or not assignees received the notes as holders in due course.

It is a rule that one who takes a note after maturity is not a holder in due course. The California court, in its decision, extended the rule to cover one who takes instalment paper after one or

NOTICE OF REDEMPTION

THE DETROIT EDISON CO.

General and Refunding Mortgage Bonds,
Series F, 4%, due October 1, 1965

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Mortgage and Deed of Trust of The Detroit Edison Company, dated as of October 1, 1924, and of the Indenture dated as of September 25, 1935, supplemental thereto, to Bankers Trust Company, as Trustee, The Detroit Edison Company has elected to redeem and pay, and will redeem and pay in lawful money of the United States of America, on November 17, 1947, all of its General and Refunding Mortgage Bonds, Series F, issued and outstanding thereunder.

Accordingly, on November 17, 1947, there will become due and payable upon each bond of such Series F, upon presentation with all coupons maturing subsequent to October 1, 1947, at the principal office of the Trustee, Bankers Trust Company, Corporate Trust Department, 16 Wall Street, New York 15, N. Y., the principal amount thereof, together with accrued interest to November 17, 1947, and a premium of 5% of the principal amount of each such bond. From and after November 17, 1947, interest on such bonds will cease to accrue, the coupons for interest maturing subsequent to that date will be void and such bonds and coupons will cease to be entitled to the benefit of the lien of said Mortgage and Deed of Trust.

Bonds presented for redemption should have attached all coupons maturing after October 1, 1947. The October 1, 1947, coupons appertaining to such bonds should be detached and presented for collection in the usual manner.

In case registered bonds are presented and payment to other than the registered holder is desired the transfer tax due must be paid and the bonds must be assigned in blank or accompanied by properly executed instruments of assignment in blank.

THE DETROIT EDISON CO.

By John L. MacLeod, Treasurer.

Dated, September 17, 1947

NOTICE OF PRIOR PAYMENT

The Detroit Edison Company has instructed Bankers Trust Company to pay on and after September 17, 1947 the principal of and premium and accrued interest to November 17, 1947 on any of said Bonds which are presented at the Corporate Trust Department of Bankers Trust Company, 16 Wall Street, New York City. All coupons maturing after October 1, 1947 should be attached to the Bonds.

As a convenience to the bondholders, arrangements have been made by Bankers Trust Company so that if said bonds and coupons are presented at the Principal Office of National Bank of Detroit, 600 Woodward Avenue, Detroit 26, Michigan, or at the Principal Office of The Manufacturers National Bank of Detroit, 151 West Fort Street, Detroit 31, Michigan, the holder thereof will receive payment in Detroit upon the terms above stated.

more but not all instalments are overdue and unpaid, provided that he takes with knowledge of this fact. If he has such knowledge, he is not a holder in due course as to those instalments which have not yet matured.

In the absence of actual knowledge, however, he will be a holder in due course as to instalments not yet due. Moreover, according to this court, he is not bound to inquire, before accepting the instrument, whether past due instalments have been paid, but may assume that the regular course of business has been followed and all payments made when due.

The decision does not disturb the general rule that an assignee is in no event a holder in due course as to instalments which were overdue, regardless of his knowledge of the fact, nor does it apply to notes containing an automatic acceleration clause upon default in payment of an instalment. *Bliss v. Cal. Co-op. Producers*, 181 P.2d 369. PATON'S DIGEST, *Holders in Due Course* §§1A:1, 1C:2.

State Taxation

Since Oregon's corporation excise tax law fails to state what income should be included as "gross receipts" in computing the tax, the Oregon Supreme Court recently defined the term.

Some common sense conclusions were reached in a suit which arose over the state tax commission's insistence that proceeds of a sale of certain properties of a corporation should be included as income in the measure of the tax, even though the sale resulted in a loss.

Taxes upon income, the court stated, are concerned with profit, not loss, and to rule that "everything that comes in" to a business is income, even though it comes in at a loss, would be "absurd, unreasonable and unjust."

The tax commission admitted before the court that there was "an appealing

equity" in the corporation's claim for exemption.

The court agreed with the commission's "commendable frankness" and ruled that "gross receipts" for purposes of the tax, implies net income and does not include proceeds of conversion of capital assets when made at a loss. *Corbett Inv. Co. v. State Tax Commission*, 181 P.2d 130. PATON'S DIGEST, *Taxation*—State §1:1.

Mortgage Foreclosure

A Massachusetts case points out the consequences of a failure to comply fully with mortgage foreclosure laws.

A bank exercised a statutory power to sell mortgaged property. The law required the sale to be held "on or near the premises." The bank, however, held the sale at its banking rooms, about one mile away, bought the property as highest bidder and sold it to a third party.

When the mortgagor sought to establish his right to redeem the Massachusetts Supreme Court ruled that the bank had not complied with the law, that the sale was thus null and void, that no title had passed to the bank or to the subsequent purchaser. *Tamburello v. Monohan*, 73 N.E.2d 734.



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☆ The strategic, centralized location of St. Louis makes a banking connection particularly advantageous to other banks and to business in general. Upon this Reserve Bank city, close to the center of population, converges a mighty stream of commerce and finance. St. Louis is the gateway to the great and rapidly expanding empire of the Southwestern states. • Many have found the advantages of banking at the center of commercial expansion...in St. Louis...and a great many have chosen Mercantile-Commerce as their bank in this city



MEMBER FEDERAL DEPOSIT
INSURANCE CORPORATION

"So my account is overdrawn \$26? . . .
Do I call YOU up when it's not overdrawn?"





Portrait of **A RABID MONROE FAN**

Once a girl gets her hands on a Monroe, just try and switch her to some other machine—you'll have a tough job on your hands.

She has become convinced that Monroe simplicity and Monroe 'Velvet Touch' ease of operation, enable her to turn out more work and better work with a minimum of strain and fatigue.

Simplicity and ease of operation are basic Monroe advantages in Monroe Calculators, Listing Machines, and Bookkeeping Machines. They are cutting figure costs in thousands of banks by speeding the work and saving the workers.

Every Monroe user has the advantage of complete figuring and maintenance service through a Monroe-owned branch in every important city.

Monroe Calculating Machine Company, Inc., Orange, New Jersey.

MONROE

MACHINES FOR BUSINESS

CALCULATING • ADDING • ACCOUNTING MACHINES

News for Country Bankers

(CONTINUED FROM PAGE 52)

nation's basic crop, sugarcane, was suffering severely in many localities from mosaic disease. The principal cane varieties of the world were rapidly tested throughout the Republic, following the determination and mapping of the best types of sugarcane land. Within a comparatively short time satisfactory adjustments of variety to land were effected. Production problems almost immediately improved.

—Soil Conservation

Bank Reports on Pasture Contest

Following its second annual pasture improvement contest, the Commercial Bank and Trust Company of Paris, Tennessee, sent a news letter to its farm customers explaining why the winners won. Before commenting upon the purpose of the contest and the award winners, it discussed the aesthetic side of farm life and farm operations. The letter then introduced the subject of the winners with this paragraph:

"Each community club in the county (27 in all) was asked to select a representative and 22 entries were made. Each farm was visited by the judges and three selected for first, second and third places. These three and several others were close competitors for first place."

Continuing, the letter said, "The farm of Baker and Luther Snead, located on Highway 76 south of Henry, is the first place winner. The Snead brothers operate a farm together there consisting of 332 acres. This is most all upland, much of which is rolling to hilly, but none of it is suffering from erosion. There are some good reasons why it is not washing." The letter then told why there is no washing on the Snead farm. Second and third place winners were then presented and the bank letter told what they had done to win this recognition. After listing the other entries, the bank announced its third annual pasture improvement program and gave the rules of entry.

This project was undertaken by the Commercial Bank and Trust Company, according to President W. K. Parker, because it was evident to the officers of the bank that soil erosion had produced "a definite need for a shift from the production of excessive row crops to more livestock production."

The county agent, chairman of the

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Los Angeles	Phoenix	Seattle	Portland
Vancouver	Montreal	Havana	London

county AAA and a vocational teacher served as judges. In 1946 War Bonds amounting to \$246.25 were given in prizes. In 1947 cash awards totaled \$90.

"We have found that the amounts of the prizes are not important, but that recognition of good work done by the farmer is the important thing," said Mr. Parker. "While this program itself may not produce any great results, we think that it is an additional stimulus to a larger program in which many agencies are working."

Assistant Cashier John M. Upchurch supervises this and other agricultural development activities of the bank.

A Bank With Three Outside Men

"We have three fieldmen—O. T. Goss, C. E. Bair and C. S. Miller," reports W. O. Osborn, cashier of The State Exchange Bank of Culver, Indiana. In addition to its Culver office, the State Exchange operates branches at Argos and LaPaz, 10 and 20 miles, respectively, from Culver. Mr. Goss, a vice-president of the bank, with the aid of the other two outside representatives covers the territory of all three offices.

"Mr. Goss was for many years the owner and proprietor of a hardware and implement store, which business especially prepared him for the duties that have been assigned to him," said Cashier Osborn. "He calls on farmers who have applied for loans to be secured by chattel mortgages, as well as to check up on loans that we have already made to farmers."

"Mr. Bair was a farmer for many years and has special knowledge of livestock and grain farming. Mr. Miller was, for several years, cashier of a small

"This legal business is so confusing I almost wish my husband hadn't died"



bank in a rural district, which gave him practical knowledge of the needs of farmers and small businessmen.

"In checking applications for loans, as a rule we send two of our outside men to inspect the premises, who make written reports on condition of security, sizes of buildings, kinds of construction, condition of improvements, and give us their opinions of the applicants.

"We make periodic check of security for livestock and barnyard loans. This we find necessary in order to make a success of loans of this type.

"Our fieldmen also call on merchants and manufacturers over a radius of 50 miles from our main bank at Culver."

In addition to its outside activities, The State Exchange Bank uses advanced methods in winning the goodwill of its employees and customers. It serves two meals a day to its employees—breakfast and lunch—and they have the use of the bank's community room in the basement of the Culver office for their social activities. This room, which has a seating capacity of 200, is also available to civic, social and educational groups for meeting purposes. It is decorated in panelled birch and is equipped with a moving picture machine, console radio-phonograph, telephone service and fluorescent lighting. It has an outside entrance by which groups may enter during business hours without the necessity of passing through the bank lobby.

"Pasture for Profit" Pays Off

Fred L. O'Hair, president, Central National Bank, Greencastle, Indiana, reports that for 30 years his bank has striven to stimulate customer interest in improving agricultural practices. Greencastle is situated in the limestone area, where the soil is particularly adaptable to pasture. The bank has had a "pasture for profit" program for 10 years and has done everything possible to encourage livestock feeding and breeding.

"We believe that the mere fact that soil conservation is a good thing is not a sufficient inducement to landowners to cause them to apply recommended erosion prevention principles," said Mr. O'Hair. "On the other hand, we know of no appeal which will influence people as much as the profit motive. Since we consider ourselves a money store, we have deliberately given our program a profit label. We do not favor the competitive contests idea because we have observed that the successful contestants are usually people who are good enough without the encouragement of outside prodding. We prefer to use methods



O. T. Goss, above



C. E. Bair, above, right



C. S. Miller, right

which will appeal to all types of farmers. Of all of the methods we have considered, we have found that soil conservation has the most appeal and that it offers the most flexibility in application.

"Our soil conservation efforts follow no particular pattern, although we try to have one meeting in the Winter and one in the Summer. At these meetings, we have a substantial free lunch and feature nationally-known speakers. Since starting to emphasize nutrition and health for the individual as well as for livestock we have been amazed at the widespread interest in this phase of soil depletion. Because of modern techniques of livestock feeding, health and nutrition tie up very well with the profit theme.


"We use various methods of promotion. For example, at our meeting last Summer we offered a free airplane ride to any farmer in the county who wanted to see his own farm from the air. We felt that this would awaken a large number of complacent landowners to the need of improving faulty practices. Experience proved that we were correct. In the time available, out of an attendance of several hundred, we gave free airplane rides to about 350 people.

"The novelty of our program attracted wide newspaper publicity and resulted in other groups, mostly businessmen, adapting similar methods to their communities.

"In the interval between the mid-Summer and mid-Winter meetings, we follow through with timely direct mail and newspaper publicity.

"Although it is next to impossible to measure results, there has been an obvious change from row crop farming on rolling land to improved quality and appearance of pasture, and an increase in the number and improvement in the quality of livestock. In addition, by

(CONTINUED ON PAGE 75)



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News for Country Bankers

(CONTINUED FROM PAGE 73)

encouraging farmers to handle better livestock we were instrumental in organizing a western Indiana beef cattle association and in bringing to this community numerous purebred livestock sales, which draw from all parts of the state.

"At a recent purebred state swine sale, exactly half of the breeding stock was purchased by local farmers. Virtually the same thing can be said for other purebred sales of hogs and cattle. In the dairying field, our local dairymen have reached a point where they use, almost entirely, the best quality of dairy cows of any breed and the number of dairy cattle in this county has practically doubled in the last five years.

"One of the most influential factors in a development of this kind is our willingness to lend money liberally for the purchase of good quality livestock. We are prepared to assist customers in selecting suitable stock either for breeding or feeding purposes and to make capital loans on a basis which will enable the purchased stock to pay for itself."

Banker Loaned to Soil District

The interest of the First National Bank of Loveland, Colorado, in promoting soil conservation was put to a practical test recently when the Big Thompson Soil Conservation District asked to borrow for six months Ralph O. Dundas, of the bank's staff.

Mr. Dundas had been actively interested in the district program and was granted the requested leave by the bank so that he, as district manager, can devote all of his time during that period to the development and execution of a concrete program of action. Centralization of district activities is one of the first moves Mr. Dundas is expected to make.

A Farm Department's Report

The farm department of the First National Bank of Meadville, Pennsylvania, has been unusually active for the past few months in sponsoring and assisting in several projects designed to improve the status of Crawford County agriculture.

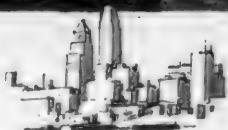
The department is headed by C. W. York, who is assisted by Robert Brockmann. Activities in which these two men had a leading part include: (1) Market-

ing of duckwheat for medicinal uses; (2) studying and arranging for the establishment of two pea vineries in the county; (3) experimental planting of Henderson lima beans to determine if they could be grown for freezing in that area. (4) Mr. York acted as chairman of the committee planning, promoting and directing a dairy queen contest; assisted in staging a Kiwanis horse show and presented the bank's trophy; and met with the newly formed Union City Chamber of Commerce to explain the work of an agricultural committee. (5) Mr. York and Mr. Brockmann attended the Pennsylvania State Grange Lec-

turers Conference at Lock Haven; worked with the county committee on developing a Bang's disease control program; and assisted with the Meadville high school vocational guidance program, acting as counselors on agricultural vocation.

The farm department has recently provided motion picture programs for several civic, farm, and youth groups and loaned its projector to a number of other organizations, including churches.

The Pennsylvania State Production and Marketing Administration has appointed Mr. York to its milk production campaign committee.



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...one of the nation's leading terminal livestock markets. Having been associated with the industrial development of Cincinnati since 1858, the Fifth Third is well-equipped to serve you with a complete correspondent service. Our officers have a thorough knowledge of business problems in this area...and a deep understanding of the needs of correspondent banks. If you have not already become acquainted with Fifth Third service, we would welcome an opportunity to talk with you about it.

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BANKING NEWS

John Mack, Jr., Made Head of Association's Public Relations Group

Stays as Director of Advertising Department

The promotion of John B. Mack, Jr., deputy manager of the American Bankers Association and director of the Association's Advertising Department, to the directorship of the Public Relations Council of the A.B.A., has been announced by Dr. Harold Stonier, executive manager of the Association. Mr. Mack will continue as head of the Advertising Department, which ties in closely with the work of the Council.

Mr. Mack, who was formerly secretary of the Public Relations Council, succeeds C. W. Green as Council director. Mr.



John B. Mack, Jr.

Green has rejoined the Franklin Square National Bank, Franklin Square, N. Y., as director of public relations and business development.

Business Background

Mr. Mack joined the A.B.A. staff in 1931 to help develop its advertising service for member banks. In 1935 the Association's advertising activities, previously handled in various divisions, were centralized in the Advertising Department and Mr. Mack was made assistant director. He was appointed director in 1944 and in 1945 was made a deputy manager of the A.B.A. He assumed the additional responsibility of secretary of the Public Relations Council in 1946.

Before joining the American Bankers Association he was

A.B.A. Study of Earnings and Expenses Provides Yardstick for Operating Results

Up-to-date information about national trends is given in the 10th annual report of earnings and expenses of insured commercial banks in 1946, which has just been published by the A.B.A. Bank Management Commission of which E. V. Krick, senior vice-president and cashier, American Trust Company, San Francisco, is chairman.

"The report, mailed to all A.B.A. member banks, provides bankers with the means of comparing the operating results of their own banks with those of other banks of similar size," Mr. Krick says. "The study brings figures on earnings and expenses of all insured commercial banks in ratios expressed as dollars per \$100 of deposits. The figures are classified into bank charter groups which include insured commercial state banks, national banks, and total insured commercial banks; and in each of the three charter classifications the banks are grouped into ten size divisions based on total deposits.

"At the top of each table is a blank line in which the individual banker can insert the figures for his own bank. With these data before him, a banker may compare the operations of his own bank with those of banks of similar size in his own state or in other states. The Commission urges the use of this study by every banker in analyzing his own bank.

Use of Data Important

"The importance of the information contained in the study is governed by the actual use made of it by banks. These figures may be used as a yardstick in determining whether your bank is average, above average, or below average in earnings and operation."

The report shows figures as of Dec. 31, 1946, of 13,193 banks having total deposits of \$136,514,226,000. Of these banks, 8,218 are state banks with deposits of \$58,026,660,000, and 4,975 are national banks with deposits of \$78,487,566,000.

employed by Johns-Manville Corporation as assistant advertising manager.

After receiving his B.S. degree from the University of Pennsylvania in 1928, where he majored in advertising and merchandising, Mr. Mack attempted to follow the family tradition and entered the printing business; however, after a brief apprenticeship as a printer's devil he turned to public relations as a career.

Mr. Mack has contributed articles on advertising and merchandising to *BANKING* and *Printer's Ink*.

14 New Members

Fourteen banks in six states became members of the American Bankers Association during August, says a report of the A.B.A. Organization Committee, of which Max Stieg, cashier of the Dairyman's State Bank, Clintonville, Wisc., is chairman.

"School Saver" Makes Its First Appearance

To assist banks having school savings systems in operation, the Advertising Department of the A.B.A., in cooperation with the Savings Division, recently published the first (Fall) edition of the "School Saver" for distribution to school children. It is a four-page newspaper reporting a variety of news of interest to children eligible for school savings, including hints on careers and information on the history of money. The "School Saver" is liberally illustrated with cartoons and contains quizzes and puzzles. At presstime more than 150 banks had indicated interest in subscribing to this publication.

Trust Meeting

Invitations to attend the annual A.B.A. Mid-Continent Trust Conference in Chicago, Nov. 6 and 7, have been mailed to all trust institutions in the 19 states of the area.

Leroy Lewis Is Named Educational Director of Banking Institute

A.I.B. Leader Promoted From Associate's Post

Leroy Lewis has been advanced from associate educational director to educational director of the American Institute of Banking, Dr. Harold Stonier, executive manager of the A.B.A. and director of The Graduate School of Banking, has announced.



Leroy Lewis

Mr. Lewis came to the A.B.A. in November 1944 as assistant educational director of the A.I.B. and was appointed associate educational director in 1946. He succeeds Dr. William A. Irwin, A.B.A. economist, associate director of The Graduate School of Banking, and secretary of the Economic Policy Commission, whose other duties now require his full time.

A native of Oklahoma, Mr. Lewis received his B.A. degree from Oklahoma City University and his M.A. from the University of Michigan. He did additional graduate work at Northwestern University, Evanston, Illinois. From 1930 to 1935 he served as instructor of public speaking and debate at the University of Wichita (Kansas) and held a similar post at Duke University from 1935 to 1943. In July 1943 he was appointed secretary of the North Carolina Bankers Association and editor of the *Tarheel Banker*, from which positions he came to the American Institute of Banking, educational director.

(CONTINUED ON PAGE 77)

New and Revised Texts Now in Use by A.I.B.

Up to Date Material Is Provided for Students

The 48th year of the American Institute of Banking is getting off to a good start with two completely revised and three partially revised textbooks, five revised instructors' manuals, and two new handbooks.

"Economics" replaces "Economics I" and brings up to date, so far as possible under present conditions, the material provided in 1937. Among other recent developments, it includes a discussion of the Labor Management Relations Act passed last June. The course approaches the subject of economics from a problem standpoint and the text contains a minimum of the usual economic theorizing. This revision was made by A. Anton Friedrich, professor of economics at New York University, and a member of The Graduate School of Banking faculty.

Business Administration

"Business Administration" replaces "Economics II," published in 1938. The revised work was produced as a co-operative enterprise by seven men under the editorial direction of Dr. R. S. Alexander, associate professor of marketing, School of Business, Columbia University. The purpose of this book is to present and to analyze the field of business administration from the viewpoint of business management.

The text deals with business organization and administration, management of the various phases of production, purchasing and material control,

Goal Is 87,500 Students

The Membership Committee of the A.I.B. has set a goal of 87,500 members for the 1947-48 year. The 1946-47 membership was 78,605 and class enrollment 40,972. The Institute has 224 chapters and 152 study groups throughout the country. For the year ending Aug. 31, 1947, it had a registration of 1,474 correspondent students, breaking all previous records.

labor relations, marketing in all of its aspects, financial administration, business planning and control, the use of forecasting as a tool of business, budgeting, and the public relations of business.

The main features of revisions in the "Commercial Law" and "Negotiable Instruments" textbooks are the inclusion of case questions for the use of students and the keying of the questions to the text material as an aid to instructors.

The "Speech Activities Handbook" and "Debate Handbook" are the two new manuals available to Institute members. The former is designed especially for the use of forums, seminar and public speaking committees, members of public speaking groups, and others engaged in speech activities. It sets forth the methods and objectives of forums, seminars, panels, group discussions, and public speaking classes and clubs; lists the duties of the presiding officer and outlines the essentials of parliamentary procedure.

The "Debate Handbook" has been prepared for the use of national chapter debate

3 Conferences Planned by A.I.B. in Far West

Three interchapter faculty conferences of the American Institute of Banking will be held in the Far West in November, Garnett A. Carter, president of the Institute and vice-president of the Fulton National Bank, Atlanta, has announced.

For Washington, Montana, Oregon, and Idaho a conference will be held at the Olympic Hotel, Seattle, on Nov. 1.

A conference at the St. Francis Hotel in San Francisco, on Nov. 8 will be for Northern California, Nevada, and Utah.

Southern California, Arizona, and New Mexico will be represented at the conference at the Biltmore Hotel in Los Angeles on Nov. 15.

The teaching techniques, objectives, and problems of Institute classes will be considered at all three conferences. Invitations will be received soon by instructors, presidents, educational chairmen, secretaries of A.I.B. chapters, and chairmen of the study groups.

committees, members of local debate groups, and others interested in debating. It contains a comprehensive analysis of debate procedure.

A.B.A. Issues Guide to School Savings Programs

400 Banks Now Offer This Service in U.S.

A recently published guide to school savings banking by the Savings Division of the American Bankers Association emphasizes the resurgence of interest in this phase of thrift education, says Rowland R. McElvare, senior executive vice-president of the Bank for Savings, New York, chairman of the Division's Committee on School Savings Banking.

About 400 banks now offer school savings banking.

The school savings banking booklet brings together a number of articles, addresses, statements and statistical data on the value and operations of a school savings system. It includes instructions on how to install and operate a system from both the standpoint of the bank and of the school; costs to the bank; pointers on advertising and promotion; and a digest of enabling legislation.

Also included is a proposed law for thrift practice education for states without appropriate enabling legislation.

Leroy Lewis Named Educational Director

(CONTINUED FROM PAGE 76)

tional section of the American Bankers Association.

In addition to university teaching, while in North Carolina Mr. Lewis taught classes for the Durham and Rocky Mount chapters of the A.I.B., and served as a member of the faculty of the North Carolina Bankers Conference held at the University of North Carolina. For three years he taught adult

classes in several North Carolina cities under the sponsorship of the North Carolina State Department of Education.

Mr. Lewis contributes to BANKING and other banking and speech magazines, including the *Bulletin* of the Institute and the *Quarterly Journal of Speech*. He is a frequent speaker before banking groups.

CALENDAR

American Bankers Association

Sept. 28-	
Oct. 1	Annual Convention, Atlantic City, N. J.
Oct. 22-24	Pacific Coast & Rocky Mountain States Trust Conference, San Francisco, Cal.
Nov. 6-7	Mid-Continent Trust Conference, Chicago, Ill.
Nov. 20-21	Savings and Mortgage Conference, Augusta, Ga.

State Associations

Oct. 6-8	Iowa, Hotel Fort Des Moines, Des Moines
Oct. 21-22	Kentucky, Kentucky Hotel, Louisville
Oct. 24-25	West Virginia, Wheeling McClure Hotel
Nov. 10-11	Nebraska, Paxton Hotel, Omaha
Nov. 14-15	Arizona, Camel Back Inn, Phoenix

Other Organizations

Oct. 2-4	Mortgage Bankers Association, Hotel Statler, Cleveland, Ohio
Oct. 3-4	New York State Safe Deposit Association, Waldorf-Astoria Hotel, N. Y.
Oct. 6-9	Financial Advertisers Association, Waldorf-Astoria, N. Y.
Oct. 8-10	Savings Banks Association of New York, Lake Placid Club, Lake Placid, N. Y.
Oct. 12-15	Robert Morris Associates, Hotel del Coronado, San Diego, Cal.
Oct. 22-25	National Association of Bank Auditors and Controllers, Baltimore, Md.
Nov. 10-11	Western Secretaries' Conference, Salt Lake City, Utah

How to Price Bank Services

(CONTINUED FROM PAGE 38)

- (3) Count the items of activity for each division.
- (4) Evaluate the item count according to the work unit value of each kind of item.
- (5) Determine the number of personnel required as based on standard.
- (6) Compare actual number of personnel with standard required and analyze variances.

Case history discloses instances of either over-staffing or misplacement of personnel. Frequently unused capacity will be permitted to go unnoticed because of inflexible arrangements and undue emphasis upon requirements for peak loads. Absence of training, unusual turnover, need for checking adherence to standard procedure as prescribed by management—these and other causes will develop from an analysis of variances.

It has been proved time after time that banks have greater personnel resources than are actually utilized. With knowledge of the time required to handle transactions compared to the available work time represented by the personnel, management finds out that supervision has an effective tool for improving operating results. The following words of William James may be repeated with benefit in bank management circles:

"The human individual lives actually far within his limits. He possesses powers of various sorts which he habitually fails to use. He energizes below his maximum and he behaves below his optimum."

The problem of improving production per man-hour in banks arises primarily from awareness of the increasing importance of the relationship between this expense factor and the net result; its solution requires tools such as unit accounting of effort expended. From that point forward greater effectiveness in bank operation depends solely upon executive leadership and intelligence. *After all, isn't it worth while to know whether an individual staff member is contributing all he can to the best interests of the bank and is being compensated equitably for his contribution? Cost analysis will help answer that question for any bank.*

Summarizing, development of unit accounting for measur-

ing operating performance has progressed to a point where its usefulness to country banks is gradually gaining recognition.

Proceeding to the second major objective, namely, to receive the fairest possible compensation for services rendered, a further application of cost analysis is found useful. After the expense, direct and indirect, of a department or unit such as commercial tellers or savings (consisting of even as few as one or two employees) has been determined, and an accounting has been made of that department's activity in terms of units of time, such as minutes, the cost of each unit of time of work done is the quotient of the total expense divided by the units of time worked. Once the cost of a unit of time worked is determined and the time required to handle the different transactions in that department is known, it becomes almost perfunctory to convert the total costs into item costs.

FOR THE sake of illustration, assume that in a given bank all expense, direct and indirect, of the commercial bookkeeping section is \$600 in the current month and that there are two employees handling this operation in 20,000 work minutes or units, (60 minutes in each hour \times 40 hours in week \times 50 work weeks in year \div 12 months = 10,000 units per bookkeeper); then, each work minute costs 3 cents. The average time for handling a check drawn on a checking account, including all steps, such as sorting, verifying signature, and posting, is determined by observation over a sufficiently long period to be nine-tenths of one minute; multiplying 3 cents by nine-tenth of a cent gives the cost of two and seven-tenths cents for handling a check in the commercial bookkeeping section. Add to this the cost of handling that check in the proof section, and in the event it is a cashed check, the cost of the commercial teller's time, calculated on the same basis, and the cost of handling a cashed check is determined to be, say, eight cents; here then is an item cost easily supported in the analysis of commercial accounts for determining how much, if anything, should be charged by the bank for such service.

An indication of growing awareness of the usefulness of cost analysis for measuring operating performance and establishing a more accurate cost basis for pricing services is the forthcoming manual of the Country Bank Operations Commission of the American Bankers Association.

"PRICES ordinarily are determined by the law of supply and demand. It is axiomatic, however, to assert that truer costs are extremely important in the pricing operation in order to determine whether a given service will stand on its own feet and show a fair profit, or whether something must be done to insure a sound cost-price relationship.

The profit and loss statement of a going business, whether it is banking or something else, reflects the result of having rendered a multiplicity of services from each of which income in one form or another is derived and expense incurred. Not until the factors of income and expense are related to the individual services can prices be established which are both adequate and fair."



Mr. Thompson

Majority in Minnesota Hold War Bonds

THE WAR Bond holdings of Minnesotans when World War II ended on V-J Day nearly two years ago are still intact for a majority of the people. A poll survey by the *Minneapolis Sunday Tribune* indicates that six persons in every 10 have on hand today all of the War Bonds they held at the end of the war. Another 22 percent still have some of their bonds. Only 17 percent say they have found it necessary to turn in all of their bonds.

Chief reasons for cashing bonds, the survey indicates, are: (1) to meet general living expenses; (2) to pay for emergencies such as illnesses; and (3) for business purposes.

Interviewers for the Minnesota poll who discussed War Bond holdings with a representative cross-section of adults in all parts of the state found that 85 percent of the people said they owned War Bonds when the war ended. The bond purchasers were asked:

"Have you cashed in any of your War Bonds?"

The replies:

Yes, all of them. 17%
Yes, some of them. 22%
No. 60%
Don't recall. 1%

Bond redemptions run heavier among persons in the middle and lower economic groups than in the upper, according to the survey. The answers by economic levels show:

	Upper	Middle	Lower
Yes, all of them.	11%	12%	29%
Yes, some of them.	13	26	21
No.	76	61	49
Don't recall.		1	1

The 39 percent of all bond buyers who said they had cashed in all or some of their bonds were asked:

"For what reasons did you cash your bonds?"

The answers:

General living expenses. 12%
Emergencies, like illness. 9
Business purposes. 6
To buy a home. 4
To buy a car. 2
Other reasons. 6

39%

House improvements, other investments, vacation trips and furniture purchases were among the other reasons for cashing in War Bonds. A few persons said they preferred to have their money in the bank. Two said they were afraid the bonds would suffer a loss in value.

The reasons given for cashing bonds showed marked differences in the different economic levels. One-third of those in the upper economic group who cashed bonds said they did so for business purposes, but 42 percent of the people in the lower economic group gave "general living expenses" as their reason.

Approximately one person in four among town and farm people who cashed in bonds said the reason was for business purposes, but only one person in 10 among city residents gave the same reason.

General living expenses and emergencies accounted for more than half

the bond redemptions among city and town people, compared with 41 percent among farm people.

The survey also indicated that about one Minnesotan in six (17 percent) is buying United States Savings Bonds at the present time, through payroll deduction plans or direct purchases. These present bond buyers include 23 percent of the people in the upper economic group, 20 percent in the middle group, and 11 percent in the lower group.

More city residents (21 percent) than town people (14 percent) or farm residents (11 percent) say they are making War Bond purchases now.

Old Republic announces:

HOME-GUARD INSURANCE

. an improved form of
Life Insurance on Mortgage Loans

HOME-GUARD
INSURANCE

Everyone agrees that it's fine for a home-owner to carry life insurance that will pay off his Mortgage-Loan if he should die. But for years, such insurance has been hard to sell because — after making interest and principal payments on his loan — the home-owner felt he couldn't afford the insurance.

Now, two developments have practically eliminated that obstacle. First of all: interest rates are so low that the home-owner has more money with which to pay for life insurance protection.

Second: Home-Guard Insurance, Old Republic's improved plan of life insurance for mortgage loans, enables you to provide your cus-

tomers with this protection at unusually low cost.

It is entirely logical that Old Republic should be the company to develop this improved Mortgage Loan policy. Through the past twenty years, Old Republic has become the largest company specializing in life insurance on borrowers and purchasers. More than 1500 financial institutions find that Old Republic policies are best suited to the requirements of their customers.

At your request, we will be glad to send a specimen Home-Guard policy with complete details of our special plan of cooperation with institutions that make a substantial volume of mortgage loans.

OLD REPUBLIC CREDIT LIFE INSURANCE COMPANY

JAMES H. JARRELL, President • CHICAGO, ILLINOIS



THE IMPORTANT FOOTNOTE

The balance sheet
footnote "Appraised by
The American Appraisal
Company at \$"
tells management and
the public the value of
the tools of production.

**The AMERICAN
APPRAISAL
Company**

Over Fifty Years of Service
OFFICES IN PRINCIPAL CITIES



consecutive dividend on common stock

A quarterly dividend of 50c a share, plus an extra dividend of 30c a share, has been declared on the common stock of this company, payable on September 30, 1947, to stockholders of record September 8, 1947.

R. E. Horn, Pres.

NORTH CHICAGO, ILL. • AUGUST 28, 1947



**SOLID BRONZE
BANK SIGNS
AND TABLETS**

Select International Bronze signs and tablets for your bank. Wide choice of standard and custom designs. Estimates and special sketches cheerfully submitted. Superb workmanship, modest prices, satisfaction guaranteed. Write for Free Illustrated Catalogue B. SHOWS HONOR ROLLS, AWARDS and other bank needs.

INTERNATIONAL BRONZE TABLET CO., INC.
34 East 22nd St., New York 10, N. Y.

Radio Scripts That Sell

(CONTINUED FROM PAGE 48)

748 ideas . . . floor plans . . . remodeling suggestions . . . for homes and for all kinds of farm buildings. Bound together in a book with architects' drawings and colored illustrations. This isn't anything we can send you through the mail . . . ideas for poultry houses, dairy barns, machinery sheds, new roofs, fireplaces, furniture . . . even a tree house for the children.

But the fellows at the bank would like to have you see it, and make full use of these suggestions.

That's the Hartford-Connecticut Trust Company at 760 Main Street . . . or you'll find the same display at the bank's branches . . . You're invited to come in any time.

April 29, 1947

A checking account is mighty convenient in running a farm business. And with the system of deposits by mail at The Hartford-Connecticut Trust Company, it isn't even necessary to go to town. You can do nearly all your banking business through the mailman.

The bank gives you a special envelope with a deposit slip inside, and a receipt form that you address to yourself, and the bank mails back to you.

It isn't necessary to open an account at The Hartford-Connecticut Trust Company when you receive a farm loan, but many farmers have found it is convenient. When a loan is approved, it is credited to your account, and, if you wish, the payments can be charged to your account as they come due. It's a worry off your mind, and it keeps your credit rating tops.

Bank by mail at the . . .

June 24, 1947

Perhaps there's a way you can speed up the job of haying. There's a little farm machinery coming through now, and if you can get your hands on the equipment that you need, now's the time to grab it. A loan from The Hartford-Connecticut Trust Company might make it possible to pay cash and get delivery.

Or—if your neighbor has a hay baler, you might hire him and his equipment to put in your crop. You'll save time, and the quality of the hay will be better if it goes in the barn *fast now*. The bank can finance the operation, and repayments can be scheduled while the cows are eating that good hay . . .

July 8, 1947

Have you been watching the price of dairy cows? The Connecticut Department of Farms and Markets quotes good grade cows, fresh or near-fresh, at \$250 to \$300, with fair cows at \$200 to \$250. The market is firm and cows are being held for higher prices.

The farm loan men at The Hartford-Connecticut Trust Company suggested last week that now is the time to buy if you're going to need cows in the Fall. In view of the market trend, they think that suggestion bears repeating.

And it will pay to buy for cash. Establish a line of credit at The Hartford-Connecticut Trust Company. Select the cows where you can make the best deal for cash. Pay the loan out of income after cows are in production. . . .

July 22, 1947

No matter what you set out to do to improve a farm, you bump into the question of money, don't you? And that applies to eliminating fire and accident hazards around the place.

You're thinking about farm safety this week, and The Hartford-Connecticut Trust Company reminds you that its farm loan service is available to help you carry out your plans. Perhaps it's a new barn . . . or a new fire-resistant roof for the house . . . or an installation of lightning rods. You can borrow money from The Hartford-Connecticut Trust Company to finance those projects, or others that will make life safer and make farming more efficient.

You can go by this rule, too—when farming operations are safe, they also are convenient, and they should be more profitable. Any improvement that prevents accidents is a good investment.

See the farm loan men at . . .

August 12, 1947


The Hartford-Connecticut Trust Company is helping to sponsor the New London County Dairymen's Field Day to be held this week Friday, August 15, at Aldo Gasparini's farm in Preston.

The program begins at 11 in the morning. In the afternoon there will be demonstrations of pickup balers, field choppers and buck rakes by the leading farm machinery dealers . . .

Loans to purchase this equipment may be made for a period of three years, with repayments set up monthly, or seasonally, whichever is more adaptable to your income.

Representatives of the bank will be on hand all day at Preston to discuss machinery purchases, using the farm loan service of The Hartford-Connecticut Trust Company . . .

Serving the Leaders



The exacting insurance needs of leading companies in American industry and finance set the stern pace by which we established and developed blanket bond and other insurance safeguards for business.

Broad, extensive experience in serving top-flight organizations in every field of activity is the background which has brought United States Guarantee bonds the endorsement of the leading banks of America.

UNITED STATES GUARANTEE COMPANY

NEW YORK CITY

FIDELITY SURETY CASUALTY

Aviation Insurance Through Associated Aviation Underwriters

Investment

(CONTINUED FROM PAGE 54)

a great number of states have granted rate increases to various local telephone companies and therefore made the revenue outlook better than before.

Up to quite recently, institutional buyers seem to have preferred lower rated operating utility bonds to the top rated telephone company obligations. New York Telephone Company bonds were offered not so long ago to yield on a 2.65 percent basis.

Judged from the list of major and minor municipal issues which are reach-

ing the market, construction and war deferred improvement are now getting under way in increasing volume in many parts of the country. Rarely a day passes when an issue is not placed to build or expand water supply, sewers, or construct new schools, highways or airports. This is constructive work, economically, even though it is being undertaken in a high priced era and will saddle many communities with greater debt than under more normal prices. The projects are welcome, though, because many of them will take up the slack which threatens to develop regionally due to lagging construction.

Corporate Offerings Show Decrease

In a review of pertinent statistics, the Securities and Exchange Commission noted that total corporate securities offered for cash sale in the country had aggregated \$2.67 billion in the first half of the year, off about \$650 million from the last six months of 1946 and down about \$500 million from the first half of last year. New money financing totaling about \$1.6 billion from January 1 to June 30 was larger than in the first six months of 1946, but was lower by about \$500 million compared with the volume of the second half of 1946.

LOAN VALUES *up*

Check Contingency Values too!

Your borrower's property is worth more today...justifies a bigger loan. But what about *contingent collateral*... the insurance that must cover the loan if the property is destroyed or jeopardized? ★ Better make sure your loan customers are keeping their policies up to values. Your Home Town Agent or Broker will be glad to cooperate.

STRENGTH • PERMANENCE • STABILITY

Fire • Automobile • Marine • Casualty • Fidelity • Surety

FIREMAN'S FUND GROUP

FIREMAN'S FUND INSURANCE COMPANY
HOME FIRE & MARINE INSURANCE COMPANY
WESTERN NATIONAL INSURANCE COMPANY

FIREMAN'S FUND INDEMNITY COMPANY
WESTERN NATIONAL INDEMNITY COMPANY

SAN FRANCISCO • NEW YORK • CHICAGO • BOSTON • ATLANTA • LOS ANGELES



Ten "I Wills"

SEVERAL years ago E. A. Hillbom, president of the First National Bank of Wallingford, Connecticut, compiled a list of ten principles designed to help the bank's staff "find the real joy that comes from a job well done."

"I felt," he reports, "that it covered the basic ideals that we as bankers strive for, and believe it has been well worth while here."

Here are his ten "I Wills" for employees:

- (1) I will not disclose any of the confidences my customers place in me.
- (2) I will always think of a customer as a real friend of mine and my sincerity will make him one.
- (3) I will be courteous.
- (4) I will be honest in heart and in spirit.
- (5) I will have a smile and a friendly word of greeting ready at all times for every one.
- (6) I will listen to a customer's complaint in a sympathetic manner and will earnestly endeavor to understand his viewpoint before presenting mine.
- (7) I will be gracious, helpful and considerate, realizing that a customer's impression of my bank may be entirely determined by his contact with me.
- (8) I will feel that I am a real part of my bank and will be worthy of the trust that has been placed in me.
- (9) I will always seek to help my fellow-worker in any way I can and by so doing, make him glad that he is working by my side.
- (10) I will be proud of my bank and will do my utmost to help it grow.

Some persons have eyes that see not and ears that hear not, but there are few persons who have tongues that talk not.

Hidden Losses in Service Charges

(CONTINUED FROM PAGE 49)

In contrast with these limited earnings let's look at some of the more extreme cases of excessive earnings rates still in use. There are two methods of expressing this earnings credit allowance rate:

(1) By the use of the rate itself, such as 1.2 percent, 2 percent and even as high as 3 percent in a few banks.

(2) By allowing so many so-called "free" checks for each unit of balance.

Most of the excessive rates still in use are those expressed as "free" checks.

A common practice is to allow five "free" checks for each \$100 of average balance. What does this allowance amount to in terms of dollars and cents? If average cost and earnings figures from the 1946 cost survey of the Country Bank Operations Commission are applied to an account with an average balance of \$100, which has five checks paid, one deposit and two remittance items for the month, it will show the following results:

Maintenance cost per month . . .	\$0.28
Five "On Us" checks (5 $\frac{1}{10}$ cents each)	0.28
One deposit	0.11
Two remittance items (4 $\frac{1}{10}$ cents each)	0.08
Total Cost for Month	\$0.75

This allowance of 75 cents of work for \$100 of balance for the month amounts to a payment of \$9 per year or 9 percent, which is a fantastic figure when compared with actual present day earnings from the investable portion of demand deposits.

True, the above may be considered an extreme case, but it is easy to see how even a very small "free" check allow-

ance can be responsible for a considerable amount of hidden losses.

Time and savings deposits represent funds which are far more stable than demand deposits. Thus, they are given credit for earning a higher investment return. Yet, on the average, banks are paying 1 percent on time deposits, which so often amounts to an absurdly lower rate than that which in effect is being paid demand depositors.

What is the solution of this problem? It is cost analysis. Only through cost analysis can the banker obtain a complete picture for his own bank. There are many factors which must be given

consideration in this study, some of which are: (1) Average demand deposits, (2) legal and excess reserves carried, (3) average amount of investments, (4) income from investments, and (5) expenses chargeable to investments.

To meet these needs the Country Bank Operations Commission will have available shortly, a manual which will illustrate and describe a simplified cost analysis plan for the smaller banks. It will contain work forms to aid the banker in the analysis of his bank.

(See sample form figuring earnings credit on page 49.)

CHECK THESE BANKING BENEFITS...

...in Cleveland and the Great Lakes Area

Businessmen with present or contemplated interests in Cleveland or the surrounding area can secure efficient handling of their individual banking needs when represented by Central National Bank of Cleveland.



Widespread correspondent banking connections facilitate your financial transactions, locally or throughout the world.



More than half a century of experience with the diversified commerce and industry of the Great Lakes Area assures a prompt understanding of manufacturing and distribution problems.



Complete and dependable banking services, including the extension of industrial loans and prompt, accurate credit information and collection service, are immediately available to you.

We welcome an opportunity to work with you in furthering your interests in this vital region. Let us hear from you.

CENTRAL NATIONAL BANK

of Cleveland

CLEVELAND 1, OHIO

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

The Rope Trick



ASSOCIATED NEWSPAPER



Other Organizations

Florida Public Relations

A FIVE-POINT public relations program has been adopted by the Florida Bankers Association:

(1) Encourage banks to hold frequent officer-employee conferences to discuss public relations.

(2) Distribute to banks all available speeches, pamphlets and brochures on the subject of public relations.

(3) Banks will be urged to contact the thought-moulders, such as high school teachers, vo-ag teachers and county agents to tell the story of banking, and to attend meetings of civic groups, trade association gatherings, etc.

(4) A speakers bureau will be organized in which bankers who volunteer will be listed as available to make speeches and talks before civic groups, trade associations, high schools, youth groups, community gatherings, etc.

(5) Bankers will be encouraged to cultivate close working relationships with newspapers and to make use of radio facilities available locally.

Letter to the President

"Believing it to be in the best interests of the economy of the country to maintain in office competent public servants who have proved their worth and ability," the executive committee of the Illinois Bankers Association has sent the following letter to the President of the United States:

The President of the United States
Washington, D. C.

Sir:

"In view of the fact that the term of M. S. Szymczak as a member of the Board of Governors of the Federal Reserve System will shortly expire, the bankers of Illinois consider it proper and appropriate to express to you their wholehearted approval of him whom they regard as an efficient servant of the member banks.

"We feel sure you, the President of the United States, are in agreement with us that there is a need for his ability, energy and experience in dealing with the problems of the day.

"We are impressed and pleased with the many academic and civil honors that have been bestowed upon him and we have been particularly gratified by the frequent use that has been made of his abilities in special situations both at home and abroad.

"We are happy to be in a position to recom-

mend his reappointment for your favorable consideration wholly on its merits without regard to the affection we have for the man personally, here in Illinois."

The above resolution was passed unanimously by the Executive Committee of the Illinois Bankers Association, representing the banks of the State of Illinois, and the Secretary was instructed respectfully to present it to you for your favorable consideration.

Respectfully yours,
Harry C. Hausman
Secretary

F A A Speaker

The Rev. Dr. Norman Vincent Peale, D.D., minister of Marble Collegiate Church, one of the nation's great inspirational speakers, will address the Financial Advertisers Association at their convention in New York City this month. Dr. Peale is scheduled to speak at the FAA luncheon on the Starlight Roof of the Waldorf-Astoria Hotel, Tuesday noon, October 7. His topic has not yet been announced, but he is a familiar and expert user of the arts of publicity and educational propaganda in the service of religion.

His church, on Fifth Avenue at 29th Street, New York City, is the oldest Protestant Church in America and now in its 318th year. It has one of the largest congregations in the country, averaging 2,000 at morning services, including the usual overflow congrega-

Financial Advertisers Association speaker,
Dr. Norman V. Peale



tion, and an evening congregation averaging 1,500.

Dr. Peale has been Minister of this historic church since 1932. From June to October for 12 years, Dr. Peale has spoken on a radio program, "The Art of Living," on Station WNBC with a national hookup. He also has broadcast programs from Stations WJZ and WOR. He was technical advisor representing the Protestant Churches in the filming of the picture "One Foot in Heaven." He is editor-in-chief of "Guideposts," a spiritual letter service, sponsors of which include Lowell Thomas, Captain Eddie Rickenbacker, Branch Rickey, Walter Teagle and Stanley Kresge.

His Church Clinic, in which he is associated with Dr. Smiley Blanton and four assisting psychiatrists, is a pioneer and widely known counseling service in personal problems.

Dr. Peale is also author of two books—*The Art of Living* and *You Can Win*—and co-author with Dr. Blanton of the book *Faith is the Answer: A Psychiatrist and a Pastor Discuss Your Problems*.

Prior to entering the Ministry, Dr. Peale was a reporter on the *Morning Republican* of Finlay, Ohio, and later on the *Detroit Journal*, Detroit, Mich.

NABAC

At the end of its 23d year, the National Association of Bank Auditors and Comptrollers finds its membership at a new high—2,713. Circulation of the association's monthly publication, *The National Auditgram*, is 4,234.

School News

Fifth session of the Graduate School of Savings and Loan at Indiana University saw the graduation of five students who had completed their third year, completion of a second annual session of study by 31 savings and loan managers and department heads and the start of 44 more on the course.

The School of Banking at the University of Wisconsin will be in session from August 23 to September 4, 1948.

The 1947 trust development course for training trust new business men of Chicago banks, given by Northwestern University School of Commerce with

(CONTINUED ON PAGE 86)

now available to you . . .

this complete Gift Check Service

Here's a brand-new idea for your bank! It's a complete service in beautiful, full-color Gift Checks not only to sell to your regular customers, but to bring in new ones as well.

Now we're offering them to you, imprinted with your bank's name! These Gift Checks are specially designed and lithographed in full color for every widely observed gift occasion. Every one of the 10 different Gift Checks has a matching greeting card jacket and a mailing envelope.

Gift Checks offer many promotional opportunities. They'll not only further personalize your service, but will add many names to your prospect list. Send today for information and specimen checks. No obligation, of course.

SPECIAL GIFT CHECKS FOR EACH OF THESE OCCASIONS

- | | | |
|------------------------|-----------------|----------------------|
| 1. Graduation | 4. Father's Day | 8. Christmas |
| 2. Wedding | 5. Birth | 9. Easter |
| 3. Wedding Anniversary | 6. Birthday | 10. Special Occasion |
| | 7. Mother's Day | |

This service also provides, at no cost to you, a manual of operations and a supply of operational forms. Promotional material such as folders, showcards and newspaper mats are available at cost.

Manufacturers Trust Company

Head Office: 55 Broad St., New York 15, N. Y.

Member Federal Deposit Insurance Corporation



Ten The Seven Years of Plenty

WITH ten most bountiful crops in a row, Mother Nature has laid aside her old idea of "seven years of plenty."

To be sure, Man pushed her a bit with record plantings. But she responded with record yields, even though she may have been a bit reluctant in the spring.

Perhaps she was but following the old adage that the mold of fortune is in a man's own hands. For man has helped himself with modern farm machinery.

When rain held up corn planting, high speed Massey-Harris Drill Planters seeded up to 75 acres a day.

Tireless Massey-Harris Tractors worked around the clock — doubled and redoubled and redoubled again the number of acres one man could handle.

Recall the Harvest Brigades of 1944 and 1945 — the millions of acres of

wheat that Massey-Harris Self-Propelled Combines saved — the millions of bushels more they save each year on the opening cut.

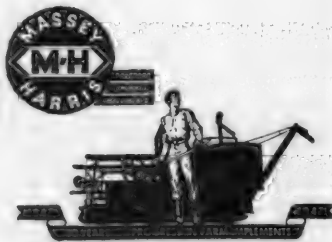
Forage Clippers telescope into a single trip across the field the many operations of cutting, raking, loading, and chopping forage.

And now at Corn Harvest, the new Self-Propelled Corn Picker opens up fields with no hand husking, laughs at wet fields, and tough conditions, romps through 20 to 30 acres of corn a day.

Since 1847, Massey-Harris has been a leader in developing new and better farm equipment — making the farmer less dependent on the vagaries of Nature, thus assuring more years of plenty. Get acquainted with the Massey-Harris dealer in your community — he's a good man to know.

THE MASSEY-HARRIS COMPANY,
General Offices, RACINE, WISCONSIN

*Make it a
Massey-Harris*



the cooperation of the trust departments of Chicago banks, opened Monday, September 15, and continues through Friday, October 3.

Last Fall, Northwestern University conducted a similar course which was a great success. From the experience gained with the first course the school this year will run for a three-week period and greater emphasis will be placed on estate analysis and planning.

The course is intended to meet a growing need and demand from the public for the services of trust companies and is designed to train additional trust representatives of Chicago banks.

John L. Chapman, trust officer of the City National Bank & Trust Co., Chicago, is chairman of the committee of trust men cooperating with Northwestern University. The outline of the course and the selection of the faculty was carried out by a sub-committee, headed by Harve H. Page, second vice-president of The Northern Trust Company.

The faculty of the School includes 37 carefully selected members of the staffs of the Schools of Law and Commerce at Northwestern, practicing Chicago attorneys, experienced trust development and administrative officers and specialists in insurance and allied fields. The class is limited to 20 men, in order that each may receive individual attention and training. This year's class is composed of 14 trust development men from loop institutions and the balance of the class is made up of men from trust departments in outlying and suburban banks.

William L. Walker, new president of the Savings Banks Association of Maine and president of the Saco and Biddeford Savings Institution, Saco



BANKING

World Business

(CONTINUED FROM PAGE 44)

being saddled with the load of supporting millions of ex-enemies, when they might be earning their own way. In the case of Germany, Washington has the enthusiastic backing of the Dutch, who otherwise see their ports and transit trade continuing stagnant, while the French, not unnaturally, want to keep Germany prostrate and make France industrially strong. The question is whether, in a world where the one unchanging reality is that nothing remains indefinitely unchanged, we can keep our ex-Axis enemies down indefinitely.

Meanwhile, what are we going to do about Germany and Japan? If they are going to become self-supporting, someone must buy their exports; and these must in the long run be something more than coal and raw silk. One of the causes of Japan's rampage of the 1930's was the fact that the Japanese and their goods did not find unimpeded access to the markets controlled by Caucasian countries. There were tariffs, quotas, gentlemen's agreements and embargos.

But there are more immediate problems for Japanese businessmen. One is, as for the Germans, establishment of a commercial rate of exchange of the currency. The average price of export goods, in yen, is 100 times prewar, according to the Foreign Trade Society, but visiting American businessmen think a rate of as much as 325 yen per dollar would be needed to make a market for some Jap export goods.

Our decision to rebuild western Germany's industry is not viewed without misgiving by some Europeans. Only a year ago they saw us pressuring certain neutral countries to liquidate and surrender German assets in their custody, on the grounds that thereby we intended to eliminate Germany's war-making resources; whereas now they see us about to restore German heavy industry so as to let Germany earn foreign exchange. Heavy industry is war-making potential just as much as German foreign assets, say these Europeans, who fear that in due course all Germany will ally itself with the USSR for the next big war. Europe lives in a state of great disturbance and uncertainty. Fear for the future is unlikely to be dispelled there, so long as the tension between East and West continues.

Romania

Some spell it "Roumania," the State Department diplomatic list calls it "Rumania," and that country's legation prefers "Romania." In any case, when you say "lei" in Hawaii you mean a necklace of flowers, whereas the same word means lots of money in Romania, where as a matter of no particular distinction one heritage of the recent war was a "thriving" inflation. Now, according to the Royal Romanian Legation's five-page press release on the subject, the dragon has been laid low by a modern communist St. George, a ministerial committee headed by Mr. Gheorghiu-Dej. The old money, paper and coin, has been called in for new, apparently with as much success as Aladdin and his wonderful lamps, at the rate of 20,000 old lei for one new lei. Also, citizens were called upon to turn in their gold and foreign exchange, a requirement which the legation states was "among the provisions best received by the man in the street, we should mention."

Today Romania boasts a national gold stock three times the 1929 figure. If the reported increase is due to success in nationalizing private holdings, Romania is far ahead of France, where the citizenry—according to the Bank for



HARRIS & EWING

Senate President Vandenberg (left) and Secretary of State Marshall on their return from the Rio de Janeiro inter-American defense conference. Economic matters were postponed to a later conference, but there were several hints that a Marshall Plan for South America's benefit might be welcomed

International Settlements—holds nearly five times as much gold as the Bank of France and there's nothing the government seems able to do about it. From the fact that Romania has fixed the price of gold at 168,350.17 lei per kilogram one might be tempted to conclude that the lei is on a gold basis. In speaking of the new coins, the press statement does not mention what material will be used in their manufacture.

By the way, it is hard at this distance to determine who benefited most from the Romanian currency conversion, since everyone seems to have been a millionaire. Disabled persons, war widows and orphans were not allowed to exchange more than three million old lei; but persons with no avowed profession were limited to 1,500,000 lei. Most people will prefer the Hawaiian variety.

Economic Semantics

Just as the term "shortage of dollars" is more effective for its purposes than the phrase "inability to pay for everything we want," so the word "economic" is being used as a substitute for a blunter term, "American loans." Bankers, of course, are well aware that dollars are not an end in themselves, but merely a measure of the value of what the borrower wants them for. They have always known that trade follows loans, or to put it another way, that loans are simply a measure of a flow of goods.

So when, at Rio de Janeiro, Latin American delegations wanted economic matters discussed, what they meant was that they wanted to discuss a Marshall Plan for the relief of Latin America with United States dollars. The American delegation at Rio succeeded merely in getting a postponement of discussion of this request until a separate "economic" conference of the Pan-American nations next year.

One might wonder why, when so much of Europe and Asia is physically or otherwise in ruins and clamoring for reconstruction and relief goods, the Latin American countries which benefited so materially from the war should not share more materially the burdens of Samaritan Sam, rather than lining up with the others in the tin-cup queue.

There is, of course, much poverty in many Latin American countries, where there exists a vast income gulf between the masses and the ruling classes, yet there is something cynical in the apparent greed of some Latin American officials, during and since the war, for some of America's wealth as a pay-off for cooperation—as if it were not in the interest of all in this hemisphere to cooperate. What price Pan-American union?

Loans, Exports and Employment

It is always unpleasant to have to cut down on one's spending for lack of money. To the extent that the world "shortage of dollars" is not solved by American gifts and loans, it must be solved by the realization of foreign gold and other assets or by reduced buying. The latter has lately come into prominence in the news, and American exporters, who have been living in something of a fool's paradise, are getting a bit worried that the boom will end. We note, for instance, the recent import restrictions promulgated in Sweden, Mexico, Portugal, Brazil, France and elsewhere. Living within one's means is not always pleasant. Much of what foreign countries have been buying now is classified as luxury goods. Fancy cars and radios, for example, are ceasing to be luxuries. Not to suggest that bathtubs are in this category, it is interesting to note that Mexico had been buying American bathtubs by way of Britain, what with our export controls and other considerations. Something is screwy about such a situation. Certainly crowded Britain could do with some more bathtubs; and for that matter, so could we.

At a foreign trade restoration festival in Yokohama, the city's mayor addressed the meeting. He said, "I extend my hearty thanks to the Allied powers for giving Japan this encouraging sign of goodwill, and I welcome the foreigners who come to our shores as peaceful traders, thus lighting up the dark road of our present economy."



PRESS ASSOCIATION

A Treasury economist recently told the writer that he saw no alternative to large and continuous foreign lending by the U. S. A., since to slow up will mean depression in our export industries and unemployment. In other words, to win the war we expanded our productive capacity and strained to the utmost our efforts and resources; but now, having won the war, we dare not relax for fear that we won't know what to do with ourselves. If foreign countries tend to rely upon the American taxpayer for support, can we altogether blame them? So long as we supply the cigarettes, they will smoke them.

Luxembourg Loan

Shortly before the London governors' meeting the World Bank announced its fourth loan, adding Luxembourg to the list headed by France, Netherlands and Denmark. Luxembourg, site of the "Battle of the Bulge," asked for \$20 million and got \$12 million, and did very well at that when you consider that Denmark, with 13 times as many inhabitants, got only three and a half times as much. This may be a sign that Luxembourg occupies a key position in its part of Europe.

There is probably as good reason for Luxembourg being a duchy separate from Belgium as there is for Rhode Island standing apart from Massachusetts. They seem to realize that in Europe, for there has long been economic and monetary union between Belgium and Luxembourg, and tariff-wise at least this union is being extended gradually to include Holland. What with the State Department's encouragement of the idea of a customs union throughout western Europe, as part of the Marshall Plan, the Benelux (Belgium-Netherlands-Luxembourg) effort is being closely studied. But a European customs union still is only a distant dream.

The technical burden of negotiating with the World Bank for the loan was born chiefly by M. Pierre Werner, Luxembourg's Commissioner of Banks, who was three months in Washington on this work. Just before leaving for home he told the writer that the loan demonstrates that it is feasible, within an economic union, to leave individual members sufficient freedom to develop along their traditional lines. In Luxembourg's case, this means the steel industry.

Where Dollars Are Not Scarce

One place where dollars are not scarce is Switzerland. That country has about all the foreign exchange, hard or soft, it cares to have, to judge by the news. British newspapers, for instance, prominently reported a surprise Swiss temporary ban on British holiday travel in Switzerland. The latter country allocates Swiss francs for foreign visitors every 10 days. The ban came when a 10-day quota for Britons was used up in two days. In any case, for the time being foreign travel for vacation purposes seems to be only a memory, in view of British foreign-exchange restrictions imposed since the summer run on convertible sterling. Countries with scenery to sell are the one exception to today's seller's market. This is not to imply that Britons have been going to Switzerland just for the scenery. In Montreux, to name one place, every block on the main streets displays signs in English such as "Tea Room," "Restaurant," and "Watches."

Speaking of a seller's market, here are a few monthly figures of U. S. exports: June 1946, \$859 million; December 1946, \$1,084 million; May 1947, \$1,408 million. In May U. S. imports were only \$455 million.

HEARD ALONG MAIN STREET



Frederick Remembers

*Up from the meadows green with corn,
Clear in the cool September morn,
The clustered spires of Frederick stand
Green-walled by the hills of Maryland.*

FROM the banking standpoint, Mr. Whittier missed a bet. The ransoming of Frederick by the town's banks in 1864, two years after the Barbara Frietchie-Stonewall Jackson incident, was good ballad material, too.

But the later incident was duly commemorated this past Summer when the citizens of the old town, birthplace of Francis Scott Key, reenacted the payment of \$200,000 to General Jubal Early.

It was quite a pageant. The spectators—and they included just about everyone in Frederick, as well as many visitors—saw junior chamber of com-

merce members, garbed as Early's cavalymen, ride into the city and heard their commander (William E. Hardy, president of the chamber, was General Early) demand from the banks the payment of \$200,000 as the alternative to the burning of Frederick by the raiders.

The pageant was enacted close to the Square Corner, where the city's banks are located. As the cavalry approached the square, a mobile loudspeaker told the citizens: "Good in 1864, our banks are still as good as the word of more than four generations of directors. . . . The good money and the good faith of Frederick banks are hereby proven to be better than the frantic promises of repayment solemnly given by our mayor and the emergency council, July 9, 1864."

The records show that taxpayers of Frederick have paid more than \$350,000

interest on the levy; Congress has thrice refused to pay the reimbursement claim made by the city against the Federal Government. The banks, which on that far-away summer day raised the \$200,000 ransom in four hours, prorating their contributions on the basis of their capital, got a \$100,000 refund in 1903 from a municipal bond issue; there have since been instalment reimbursements in the form of tax rebates.

The 1947 tribute was a surprise to the bankers. One executive laughingly refused to be taken to the municipal assembly place unless the leader of the "Confederates" rode his horse into the bank. He quickly compromised, however, when "Early," taking him at his word, scattered the crowd and started his steed up the stone steps of the Western Maryland Trust Company.

At the Citizens National Bank, President HOLMES D. BAKER, in shirtsleeves, was in conference when a cavalry delegation arrived. Four stalwart soldiers (dismounted) rushed into the board room and hustled Mr. Baker to the assemblage.

Business was disrupted at the Fredericktown Savings Institution, situated almost on the site of the original levy meeting, where the bankers and city fathers had received Early's terms. The president of Frederick County National Bank, ARTHUR V. MYERS, found himself hustled across the street to join the party at the Institution of which his brother, F. ROSS MYERS, is president.

The head of the Farmers and Mechanics National Bank, ALBERT C. GILSON, was obliged to do a retake of his arrival at the meeting. Rain was falling when this dean of Frederick bankers was marched to the scene; a spectator wanted to share an umbrella with Mr. GILSON, and the banker had to repeat his arrival.

Next, the mayor of Frederick and the

(CONTINUED ON PAGE 91)

At the Fredericktown Savings Institution, President F. Ross Myers re-enacts the payment of the ransom money. The group watching on the bank steps as "General Early" holds out his hand for the cash includes a number of Frederick bank executives and officials of the city government



October 1947

★

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(CONTINUED FROM PAGE 89)

board of aldermen marched in a body to meet the bankers under custody of the mounted "raiders," and when the assembly was complete General "Early's" ransom demand, the original of which is preserved in the town's archives, was read and the payment of the money was reenacted.

Citations

JOHN M. PHILLIPS of the personal credit department, The National City Bank of New York, was decorated with the Croix de Guerre at a recent ceremony at the bank's 42nd Street branch. The decoration was awarded by the French Government for "exceptional war services rendered in cooperation with the French troops during the



Col. A. S. Kuegle, U. S. A., presents medal to Banker Phillips on behalf of France

Italian campaign of December 1943 to July 1944." Colonel PHILLIPS is a supervisor of Veterans' Administration loan development for the bank. During the war he served as senior American intelligence officer with the Allied Military Mission in Italy and also as special agent with the Military Intelligence Division in Italy. He was twice wounded.

Major THOMAS B. BARTON, USMCR, one of the few staff members of The Chase National Bank of New York who

Major Barton is congratulated by Chandler Cobb, New York Selective Service director



U. S. NAVY PHOTO

is still on military leave, has received a commendation from the Secretary of the Navy for meritorious service as Marine Corps liaison officer to the New York City headquarters, Selective Service System, from June 8, 1943 to September 2, 1945. Major BARTON, also a veteran of World War I, in which he served two years as a marine, was in the bank's comptrollers accounting real estate department when he returned to the Corps as a captain in May 1942. The citation notes particularly his work for returning veterans of World War II.

Amberg to Aid Treasury

HAROLD V. AMBERG, vice-president and general counsel of The First National Bank of Chicago, is one of three men recently named as consultants to the Treasury to assist in preparing the federal tax program.

Mr. AMBERG, who has frequently served as a consultant to the Federal Reserve Board, has been a member of the Advisory Committee on Special Activities of the American Bankers Association. A graduate of Harvard, he



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was with the Foreign Trade Commission in Washington in 1916 and with the U. S. Shipping Board, 1917 and 1918. He attended the Paris peace conference.

He was attorney for The First National Bank of Chicago, 1922-1926, and has been its general counsel since 1927. In 1934 he was made a vice-president.

The other two experts appointed Treasury tax consultants are Professors William C. Warren and Carl Shoup of Columbia University.

Robert B. Newell

ROBERT BREWER NEWELL, president of the Hartford (Connecticut) National Bank and Trust Company, and a

member of the Committee on Government Borrowing, American Bankers Association, died September 15 at the age of 68.

Mr. NEWELL's career in finance began in 1902 upon his graduation from Wesleyan University. First employed by the Phoenix National Bank of Hartford, he was subsequently on the staffs of the State Bank and the State Savings Bank. In 1917 he became a vice-president of the Fidelity Trust Company and later was vice-president and president of the United States Security Trust Company. He joined the Hartford National in 1927.

In 1941 Mr. NEWELL was appointed

chairman of the Connecticut advisory committee for the National Defense Savings Program. He was also former chairman of the National Credit Corporation for Connecticut.

"... Deposits from Boatmen, and from Others"

THE first bank west of the Mississippi to reach the age of 100 years celebrates its centennial this month.

The BOATMEN'S NATIONAL BANK of St. Louis, which opened October 18, 1847, as the BOATMEN'S SAVINGS INSTITUTION, has a history that coincides with the growth of St. Louis from a frontier headquarters for an advancing western migration to a leading American city. Thus the bank's story epitomizes the country's expansion and the development of the West during a record-breaking century.

The background of that story goes deep into American annals. By the mid-1840's, 80 years after its founding, the population of the fur-trading post, St. Louis, had grown to only about 16,000. Half of this period had been spent under French and Spanish sovereignty, and there had been little incentive for a broadening of activities.

After the accession of the Louisiana Territory, growth had been stimulated, but transportation facilities between the Mississippi Valley and the eastern seaboard were so meager that only the sturdiest spirits were willing to attempt the journey.

Among other difficulties retarding the West's development was the lack of money. Before 1837 St. Louis had been served successively by four financial agencies, none of which had done a satisfactory job. In that year the legis-

John L. Webster, bookkeeper at the First National Bank in Dallas, left, receives a watch from Board Chairman Nathan Adams on Webster's 50th anniversary as an employee of the bank. Lang Wharton, center, executive vice-president, is another 50-year veteran



BANKING



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This market has been too large to be self-sufficient and is attracting branch plants of many Eastern manufacturers.

Keeping pace with the industrial growth, the Citizens National Bank now has 34 branch offices conveniently located to better serve its correspondent banks.

lature chartered the Bank of the State of Missouri, state-controlled and designed to relieve the financial stringency. For 20 years this bank had a successful record, and to the extent that it was able, justified the vision of its founders. Unfortunately, the legislators had been disturbed by fear of size and had created a pigmy to do a giant's job. To complicate further an already muddled situation they refused during the next two decades to charter any other commercial banks.

Meanwhile, the available banking facilities, chartered and private, were quite naturally devoted to the more important business of the day. The small man was neglected. These circumstances furnished the opportunity for the founding of what was, in the West, a new type of banking house.

George K. Budd, who had come to St. Louis from Philadelphia in 1835, was a public-spirited citizen. In the East he had observed the operation of savings banks, was appalled at the economic waste in a system in which savings were not utilized, and constantly urged his friends to join him in doing something to improve the situation.

Budd convinced Sullivan Blood and a number of others that it would be worthwhile to ask the legislature for a charter for a mutual savings bank. On February 16, 1847, a charter was granted to Budd, Blood, and associates to form and operate the BOATMEN'S SAVINGS INSTITUTION.

The charter permitted the receipt of deposits "from Boatmen and from others," and investment in Missouri first mortgages on improved real estate, or in "such other stocks as may be deemed perfectly secure. . . ."

The trustees served without pay. Adam L. Mills was elected president; Robert Simpson, treasurer; and B. B. Chamberlain, secretary.

Space does not permit a chronicle of the bank through its century of service. Its presidents during the first 80 years were, in addition to Mills, Blood, a Vermonter; Rufus J. Lackland, a Marylander; Edwards Whitaker; and Julius W. Reinholdt, in whose term BOATMEN's, which had been operated as a state bank, joined the Federal Reserve System (April 1926).

Great size had been achieved in other banks through consolidation, and some of BOATMEN's directors thought, in the 1920s, that some of the merger offers should be considered. A small group, however, was adamant against consolidation. They thought that the identity which had been maintained for over 80 years should not be sacrificed, and in



Mr. Smith



Mr. Jolley

the end they prevailed. (BOATMEN's has never had a consolidation.)

Their solution was to bring into the bank in 1929 the investment banking organization of Kauffman, Smith & Company. Tom K. Smith of that firm became president of the bank, and

Harold T. Jolley vice-president in charge of public relations.

In 1933, President Smith, was called to Washington, and for six months served as special advisor to the Secretary of the Treasury on banks and banking matters. In 1936 he was elected president of the American Bankers Association.

In January 1947, Mr. Smith became chairman of the board but remained the chief executive officer. Mr. Jolley succeeded him as president.

BOATMEN's present quarters have been undergoing a complete reconstruction and the bank hopes the job will have been completed by October 18, its 100th birthday.

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Banker Heads Kentucky C. of C.

EARL R. MUIR, president of The Louisville Trust Company, is also president of the Kentucky Chamber of Commerce which recently offered a five-point "Plan for Progress."

Mr. MUIR, an active booster for his native state, says the underlying tenets of the program are counsel, coordination and service. It proposes to: educate Kentuckians to the advantages modern industry offers their communities; serve as state clearinghouse of industrial and community information; bring Kentucky's opportunities to the attention of out-of-state business; serve local communities by guidance in the collection of industrial data and in listing available industrial property; encourage community industrial foundations, and aid in local available-labor surveys required by manufacturers.

Before entering banking Mr. MUIR was in the accounting divisions of both the Illinois Central Railroad and the Cadillac Motor Company. In 1917 he aided in the organization of the Louisville Branch of the Federal Reserve Bank of St. Louis. Returning from World War I as a lieutenant, he was manager of several departments of the branch and then was made assistant cashier. He was elected a vice-president of the trust company in a reorganization, subsequently becoming first vice-president and president.

Mr. MUIR is a member of the A.B.A. Small Business Credit Commission.

Veteran Banker

JAMES WILLARD MAXWELL, chairman of the board of the National Bank of Commerce of Seattle, celebrated his 83rd birthday on September 8.

Mr. MAXWELL started his banking career 67 years ago in Lincoln, Nebraska, and recalls friendships formed there with Charles G. Dawes, William Jennings Bryan and General John J. Pershing.

"In fact," he says, "General Pershing and I called together on sisters before we were married."

Coming to Washington in 1892, Mr. MAXWELL has lived in Seattle since 1906 when he became cashier of the then small National Bank of Commerce. He has been board chairman since 1935.

LORING L. GELBACH, president of the Central National Bank of Cleveland and chairman of the board of regents, The Graduate School of Banking, has

(CONTINUED ON PAGE 96)



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(CONTINUED FROM PAGE 94)

been appointed by Secretary of the Treasury Snyder as state chairman of the U.S. Savings Bonds Committee for Ohio. He succeeded PERCY W. BROWN of Cleveland Heights who asked to be relieved of his duties, due to the condition of his health, after six years of service in the Savings Bond program. He was state chairman during the last two years.

NEAL GRIDER, vice-president of the Peoples State Bank, Indianapolis, was reelected national treasurer of the American Legion at the 1947 convention in New York.



Mr. Allen



Mr. Ayles

LOREN B. ALLEN, formerly assistant vice-president of the Federal Reserve Bank of New York, is now second vice-president and manager of the credit department of The Northern Trust Company, Chicago. Mr. ALLEN was

manager of the Reserve bank's credit department and for the past two years was associated with the Reserve System's Open Market Committee.

CHARLES AYLES, assistant vice-president and personnel director of The National City Bank of New York, has retired after 46 years with the bank.

CASPAR W. CLARKE has been made chairman of the board of Pacific National Bank of Seattle, succeeding GEORGE H. GREENWOOD, who retired June 30. Mr. CLARKE, executive vice-president of the bank for the past 11 years, began his career as a messenger for the Union Savings and Trust Company of Seattle in 1915. He is a past president of Seattle Chapter, American Institute of Banking.

ARTHUR L. MOLER, vice-president of The Fifth Third Union Trust Company, Cincinnati, is the new president of Robert Morris Associates, the national association of credit men.

RUTH E. LEIMAN of the personnel department, Central Hanover Bank and Trust Company, New York City, has been named chairman of the Women's Committee, New York Chapter, American Institute of Banking.

F. J. TORRANCE BAKER, formerly associated with a Pittsburgh law firm, has been elected trust officer of the Fidelity Trust Company in that city.

A. J. NARDI, who has been supervisor of loan development in the main office

Vice-president I. A. Long of the Mercantile-Commerce Bank and Trust Co., St. Louis, demonstrated rare items in his mechanical bank collection during a recent television broadcast. Mr. Long, left, was interviewed by Frank Eschen of Station KSD



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In its August issue **BANKING** reprinted from the Falmouth (Massachusetts) *Enterprise* a story on the Falmouth National Bank's display and use of "Peter Penny and His Magic Dollar," the A.B.A. color comic. Cashier Gordon I. Miller reports that his older daughter Judith Ann was more or less responsible for the bank's decision to use the book. Mr. Miller took a copy home to look over; her questions and interest convinced him that all the children of the community should have an opportunity to meet Peter. In the picture Judith Ann and her sister, Susan Ruth, are getting copies of the book from their dad

of the Bank of America, San Francisco, is now vice-president in charge of the real estate loan department of the Central Bank of Oakland.

JOHN C. CURRY was recently made vice-president and trust officer of The First National Bank of Montgomery, Alabama. Mr. CURRY has been head of the State Tax Commission and is also former state commissioner of revenue.

RICHARD S. McCUNE, vice-president of the Bank of America, is chairman of the Los Angeles metropolitan area campaigns for the coming Community Chest drive.

DONALD F. HAGNER has been named cashier of the Baltimore branch of the Federal Reserve Bank of Richmond. He is an alumnus of The Graduate School of Banking, Class of 1942, and was formerly assistant cashier of the branch.

FRED E. KIRBY, assistant secretary of the Green Point Savings Bank, Brooklyn, has completed 25 years of service with the bank.

ARTHUR C. SULLIVAN, formerly Deputy Intermediate Credit Commissioner of the Farm Credit Administration, Washington, D. C., has been elected vice-president of the American National Bank of Idaho Falls, Idaho.

W. H. SMITH has been appointed vice-president in charge of the contract department, comprising the automobile and equipment financing activities, of The Anglo California National Bank, San Francisco. Mr. SMITH was previously manager of the bank's San Jose office.

P. E. NEUSCHAEFER, vice-president of Union Bank & Trust Company of Los Angeles, is visiting the bank's correspondents in several cities of western Europe.

Elections

EARL G. JONSCHER, trust officer, American Security and Trust Company, Washington, D. C.

J. MARK KIRCHGASSER, personnel director, Corn Exchange National Bank, Philadelphia.

PAUL M. MINTER, R. M. LINDSTROM, vice-presidents, The National City Bank of Cleveland.

ALBERT J. LESSEN, AL J. BROWN, ARNOLD T. ANDERSON, vice-presidents, Security-First National Bank, Los Angeles, California.

ARNO C. YAECKEL, vice-president, Bank of America, the El Centro branch.

GEORGE M. IRVING, executive vice-president and general trust officer, and HERBERT M. SEYDLER, senior vice-president, The Second National Bank, Houston, Texas.



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(CONTINUED FROM PAGE 37)

directed to study possible new laws to control "monopoly." Whatever this Council may come up with in the form of proposed legislation, it is anticipated that the President will press Congress to enact one form or another of "crack-downs" against business, on the price issue.

This is a long-range program, politically speaking. It is an indication that the Administration strategists anticipate that the rising cost of living will remain an issue throughout most of 1948, and are preparing at one and the same time to deflect the blame for high prices and move to take political advantage of them.

Revival of Price Control?

In this connection more and more will be heard about the desirability of reviving price control. This is regarded as strictly a tactical stand, politically. Restoration of price control is not a possibility under conditions now foreseeable.

One of the positions taken by the Administration is that a reduction in federal taxes would be inflationary, i.e., contribute to a rise in the cost of living. In his revision of budget estimates of receipts and expenditures for the current year, the President gave every indication that he was still holding fast to this viewpoint. Everything the President said in his statement revising the budget would discourage those who were looking for the Administration to abandon the opposition which led to the killing of the tax reduction this year after two vetoes.

Yet despite the vigorous economic and fiscal argument which the President inferred against tax reduction in this statement, his continued opposition to a tax cut next year cannot be counted upon. If the high cost of living becomes an issue, it is logical to press for an abatement of the burden of taxation as a means of combatting the high cost of living. It is also possible to presume that, should the Administration leaders come to believe that they could not a third time hold the line for the present level of taxation, they would anticipate the issue by themselves attempting to take the initiative for tax reduction. This would enable the Administration strategists to influence the form of tax reduction, in order that it might be of such kind as would redound to the political advantage of the Administration.

Deficit Financing Prospect

One indication from the President's budget is that a return to deficit financing, in view of a prospective budgetary surplus approaching \$5 billion, is not in sight. Only a very large foreign aid program, coupled with a sharp tax reduction, could alter this prospect.

Hence banks may not be expected to absorb a large additional increment of government bonds, but for some months ahead, at least, will rely upon the expanding volume of personal loans, business loans and home mortgage loans.

The pattern of interest rates on government bonds is likely to remain 1 percent on one-year money for the immediate future. With the offering of the new non-market issue, a long-term market issue does not appear to be in prospect for the next few months, at least.

While the basis of subscription for the first offering of the non-market bonds was, roughly, 25 percent of the increase in the amount of net assets of eligible institutions between December 31, 1946, and June 30, 1947, this basis will not

necessarily be retained as the books are re-opened on this issue from time to time. A different percentage increase in assets may be used, or a different period, or both.

Despite the small proportion of Treasury bills first sold outside the Federal Reserve banks following the "unpegging" of the bill rate and the rise in the yield on these items from $\frac{3}{8}$ to around $\frac{3}{4}$ of 1 percent, there was confidence that commercial banks would come to acquire them in larger sums.

Leave Bond Cashing Went Smoothly

Treasury officials were immensely pleased at the "smooth job" the nation's banks performed in cashing the Armed Service Leave Bonds for veterans. The number of "hitches" was insignificant. The operation went along with utmost facility, under the regulations worked out by the Treasury and the American Bankers Association's Committee on Savings and Armed Forces Leave Bond Redemption. The A.B.A. committee got together with the Treasury in advance of the passage of the bill providing for cashing these bonds, and, by advising the Treasury of all the problems of the banks, enabled many possible "hitches" to be prevented before they occurred.

Despite the fact that a substantial volume of these bonds was cashed, banks spent large sums of their own money unselfishly to advise the veterans, in advertisements, and took time to advise them orally, that these bonds provided a greater yield than it was possible for the banks themselves to pay on their own time deposits.

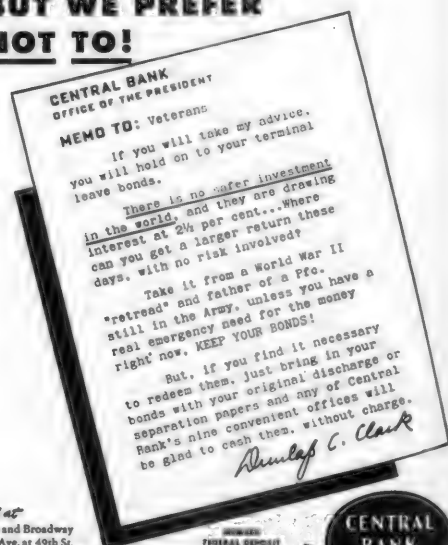
Banks also spent a great deal of effort and money to tell the veterans to bring their requisite identification, thereby saving them from numerous delays.

After a study, Treasury officials were satisfied that this effort of banks to encourage the holding of bonds, and to aid those who insisted on cashing them, was nationwide. A

A typical advertisement to veterans

G.I.'s...We'll Cash Your Terminal Leave Bonds...

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Warehouse Receipt Loans Against Inventory

When considering Warehouse Receipt Loans against inventory, you will require the best and most complete warehouse service. *Consider our qualifications . . . specialists in field warehousing . . . unquestioned integrity . . . sound financial resources . . . ample fidelity and legal liability insurance . . . officers and operating executives warehousemen of recognized experience . . . reasonable charges . . . and, fulfillment of every obligation to the holders of our warehouse receipts.*

OPERATING OFFICES

Royal Bldg., Albany 1, Ga. • Healey Bldg., Atlanta 3, Ga. • 60 State St., Boston 9, Mass.
Rand Bldg., Buffalo 3, N. Y. • Liberty Life Bldg., Charlotte 2, N. C. • 120 So. LaSalle St.,
Chicago 3, Ill. • Construction Bldg., Dallas 1, Texas • National Bank Bldg., Detroit, Mich.
Lemcke Bldg., Indianapolis, Ind. • 121 W. Forsyth St., Jacksonville 2, Fla. • First Natl.
Bank Bldg., Memphis 3, Tenn. • 16 South Broad St., Philadelphia 2, Pa. • Keystone Bldg.,
Pittsburgh 22, Pa. • 8th & Locust Sts., St. Paul 1, Minn. • 301 Spring St., Shreveport 69, La.
Hills Bldg., Syracuse 2, N. Y.

New York Terminal Warehouse Company
25 SOUTH WILLIAM ST., NEW YORK 4, N. Y.

Why Bonds Were Redeemed

The First National Bank of Chicago studied the purposes for which armed service leave bonds were being redeemed. Questioning 1,000 veterans, they found:

1,000 bonds — Value \$213,214

Purpose	No. of People	Percentage	Amount of Money	Percentage
Deposit in savings.....	291	29.06%	\$55,199	25.88%
Miscellaneous.....	207	20.73	52,814	24.77
Pay debt.....	209	20.94	43,261	20.29
Purchase furniture.....	47	4.71	12,003	5.63
Purchase clothes.....	64	6.41	11,236	5.27
Purchase homes.....	41	4.06	10,000	4.69
Automobiles.....	30	2.97	8,592	4.03
Refused to tell.....	32	3.22	5,885	2.76
Medical services.....	28	2.78	4,321	1.98
School tuition.....	19	1.92	3,645	1.71
To get married.....	19	1.91	3,600	1.70
Deposit in other banks...	13	1.28	2,789	1.28

Inquiry at several other banks indicates the same high percentage of veterans who deposited the proceeds in savings accounts or otherwise devoted the money to savings or other useful purposes.

typical advertisement, by a large metropolitan bank, read as follows:

"Veterans, ask yourselves these questions before you cash your Terminal Leave Bonds:

"(1) Do you really need the money now? Hold your bonds if you possibly can as a reserve for the future. They earn 2½ percent and there is no better investment.

"(2) Do you need all the money now? If you *must* cash your bonds, keep as much of the proceeds as you can! Make that emergency payment—put the rest in a bank account. At the head office or any of the branch offices of the (name omitted) you can open a —" (there followed a description of the types of bank accounts one could open).

"(3) Are you sure that the cashing of these bonds is the best answer to your problem? Remember, the Consumer Credit Department of the (name omitted) bank will gladly make loans in amounts from \$60 to \$3,500 or even more for such useful purposes as personal needs, property improvements, automobiles, and small business. This may be a way to meet your *immediate* requirements, repay in convenient monthly instalments, and still hold your valuable Terminal Leave Bonds."

Another bank advised veterans to "Keep Those Terminal Leave Bonds." Quoting the law that they might be cashed any time at full face value plus accrued interest, this bank advised:

"By the use of these words Congress makes your Terminal Leave Bonds an investment that is superior to any government bond of any kind that is available today. They will produce interest for you at the rate of 2½ percent per annum for any period of time you may hold them up to maturity. . . .

"Our advice to the holders of these bonds is 'Let these be the last investments to be surrendered when necessity overtakes you.'"

Another bank advertised: "Unless you are in real need of

the money now this institution and the U. S. Treasury recommend that you permit the bond to earn interest . . ."

"Don't cash your bonds before you talk it over with your local banker," another institution suggested.

"Veteran! That bond will be worth more to you later," a group of savings banks advertised.

"Swell Job"

Reports indicated that the public relations job which banks did on the cashing of these bonds not only won them many friends but a substantial number of new customers. This is the same sort of opportunity which banks daily have at hand in cashing U. S. Savings Bonds, it was observed.

"The Treasury is very grateful for the objective and unselfish attitude taken by the thousands of banks in the United States," Edward F. Bartelt, fiscal assistant Secretary of the Treasury, told BANKING. "They performed a genuine public service for the country, as well as for the veterans. I think the banks have done a really swell job," he said.

FDIC Advice

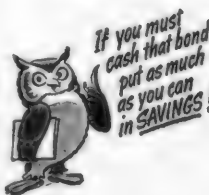
Insured banks were given strong advice to increase their capital funds, in the recent report of the Federal Deposit Insurance Corporation. Banks have increased their capital, "but the growth has been much too slow in the light of the credit needs of the present time and the foreseeable needs of the future," the corporation said.

Despite this strong suggestion, however, none of the federal bank supervisory agencies plan to initiate any action, by legislation or administrative action, to bring about a uniform or general increase in bank capital accounts.

One phase of "a really swell job"



YOU MAY WANT THE MONEY TODAY.
BUT HAVEN'T YOU GOT TO
THAT, SOME TIME WITHIN THE
NEXT FIVE YEARS, YOU'LL NEED
IT EVEN MORE?



That terminal leave bond you're holding—it's not only "good as gold" it's ready cash whenever you need it. It represents the safest investment in the world—keep it working for you. It pays 2½% interest. So why should you cash it in now with everything sky-high in price. Wouldn't it be smarter to hold that bond until maturity—or at least as long as you can?

Think it over. We hope you don't find it necessary, but if you should, any Savings Bank in New York State, all of which have been designated by the Government, will always cooperate by redeeming your bond on request. Just be sure to bring adequate identification.

Your Savings Banks
of New York State

MEMBERS, FEDERAL DEPOSIT INSURANCE CORPORATION

BANKING SERVICES

KEYED TO TODAY'S DEMANDS

"Speed, Accuracy, Facilities, Resources, and Experience of Specialists in every phase of Banking"—All are more essential today than ever before.

In providing these specialized services to banks, the individual needs of each customer are always our first consideration.

NATIONAL BANK OF DETROIT

Complete Banking and Trust Service

Member Federal Deposit Insurance Corporation



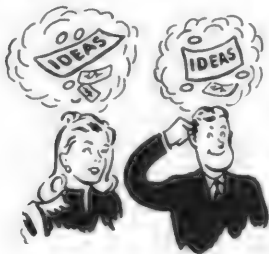
Methods and Ideas

Handbook for Staffers

EAST RIVER SAVINGS BANK of New York City has published a 65-page employees' handbook that ranges from the history of mutual savings banking to a tip* on chewing gum during bank hours.

Prepared to "help the orientation of new staff members as well as to clarify practices for the older ones," the booklet, "The East River and You," is printed in two colors and liberally illustrated with drawings. It opens with messages from President Joseph Broderick and from the personnel committee. Then it outlines the bank's history since its establishment in 1848, reviews the services of the modern savings bank, explains the EAST RIVER's organization for efficient operation, and, in the space of 40 pages, takes up the employee's relationship with the bank—particularly, personnel practices which most frequently give rise to questions.

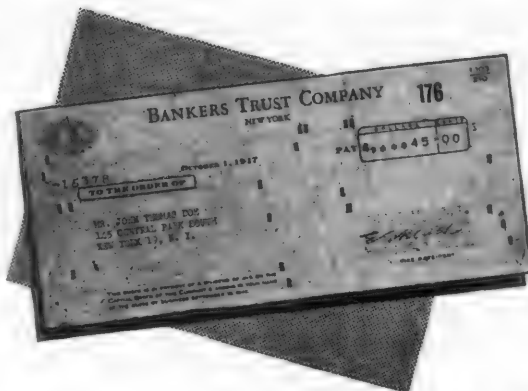
The bank's contributions to the program of full cooperation, including such matters as salary plan, working hours, working conditions, job evaluation, leaves of absence, awards for sugges-



tions, financial security plan, group insurance, hospitalization and educational opportunities, are explained. Then there is an extensive section on the staff member's contribution to the bank-employee relationship.

"Your own sense of responsibility," says the text, "and your understanding of the interdependence of interest be-

* Specifically, the tip is: "The bank regards with disfavor the chewing of gum or confectons in the public view."



The bank mailed 21,000 of these new punched card checks in payment of its October 1 dividend

tween you and your bank, will be your real guide to encompass your duties to the bank.

"In addition to knowing your job, you must know how to handle people of all kinds. Treating all people alike with courtesy is a fundamental necessity. The full art of handling people is the ability to add alert and intelligent thought, word and action to this courtesy."

The information and suggestions that follow cover, among other things, personal appearance, attendance, and contacts with the public.

New Accounting System

A new, simplified system for accruing earnings on discounted and instalment notes has been copyrighted by the originators, A. S. Chaves, auditor, and Lester E. Souba, assistant auditor of the LIVE STOCK NATIONAL BANK, Omaha.

Henry C. Karpf, president of the bank, announced that the system had been included in Live Stock National's correspondent services and was being made available for installation and use without charge to more than 400 banks.

The objective of the system, which was originated by Messrs. Chaves and Souba to meet a need at their bank, is to transfer daily from the unearned account to the earned account the exact amount of money earned by the total of loans outstanding according to their diminishing balances.

Punched Card Dividend Checks

BANKERS TRUST COMPANY of New York paid its October 1 dividend on a punched card check. Reporting this new departure, the bank's staff magazine, *The Pyramid*, said:

"This new check is unique in that it employs 'mark sensing,' a technique by which tiny pencil marks are translated into machine made punches. This is the first time that this technique has been applied to checks. Modern in design, facilitating issuance, reconciliation and totaling, and allowing for folding to convenient pocket size, this marks the emergence of the unromantic tabulating card as a streamlined check meeting all postal requirements for mailing in window envelopes."

Pointing out that card checks have been used extensively by the Government and by the Federal Reserve banks, the article recalls the bank's own experience with them:

"In connection with a recent transaction involving rights for American Telephone and Telegraph stock, more than 200,000 checks, pre-punched with serial numbers, were issued and later mechanically sorted. As a result of our experience we developed for use on checks the 'mark sensing' feature by which machines interpret by electronic impulse tiny pencil marks placed on the back of the checks. This electronic reading was first applied to a card check and card

(CONTINUED ON PAGE 104)

If you did the ironing...

2 to 1, the iron you'd use would be the world's best!

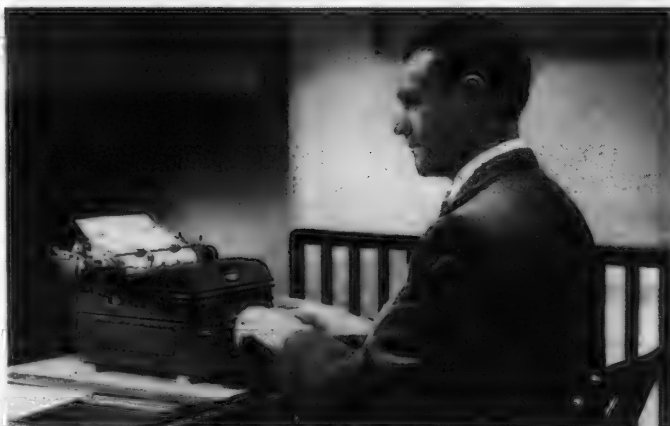
And undoubtedly—to make lighter work for the person who does your ironing—you've provided her with an iron that is the easiest to operate, the most efficient . . . the best!



If you did the typing...

2 to 1, nothing would do but the finest typewriter on the market today.

Perhaps you've already made certain that each and every one on your secretarial staff has a Royal—the *World's No. 1 Typewriter*.



It's Royal—the 2 to 1 favorite!

Popularity! A national survey shows that Royal is the favorite typewriter among secretaries and typists—*preferred 2 to 1* over any other typewriter. Your typists will do more work, better work on machines they prefer to use!

Royal efficiency! There are work-saving, time-saving features on a Royal not found on any other typewriter. Meaning . . . higher production per machine!

Royal durability! These typewriters are really sturdy. Royals stand up—spend more time on the job, less time out for repairs. With Royal, you get the maximum return for your typewriter investment!



ROYAL—*World's No. 1 Typewriter*

(CONTINUED FROM PAGE 102)

bill form when the bank handled stock subscriptions for the Pacific Gas and Electric Company. The results obtained in these two operations, and the indicated savings in time and money for the handling of mass check payments, demonstrated the value of applying the system to our own dividend checks."

The October 1 dividend went to 21,000 stockholders holding 3,000,000 shares.

Bank-Sponsored Pop Concerts

Early in September THE SOCIETY FOR SAVINGS, Cleveland, began sponsorship

Mervin B. France, president of the Society for Savings, Cleveland, signs the contract for the radio pop series. Dr. Ringwall is sitting at the right. Standing are Robert L. Groves, secretary of the bank; Assistant Vice-president D. J. Pritchard; and Richard Klaus of WJW

of a weekly recorded pop concert of the air featuring Dr. Rudolph Ringwall, associate conductor of the Cleveland Orchestra.

The program is called "Rudolph Ringwall Presents." Classical and semi-classical music is played for a half hour on Thursday evenings over Station WJW.



Correspondent Services

A booklet outlining briefly the services used most frequently by its correspondents has been prepared by HARRIS TRUST AND SAVINGS BANK of Chicago. Included are portfolio counsel, safekeeping, tax problems of banks, excess loans, credit information and counsel, auditing procedure, cost and operation surveys, wire transfer, foreign services, clearings and transit, special collections, and procurement of tickets and reservations.

"We grow only as we build our friends and customers," says a brief foreword. "In reviewing our services to our correspondent banks, we find that many are using most of our services to our mutual help and satisfaction, while others are not taking full advantage of the relationship. We believe this brief outline of the more essential services which we offer will prove of great benefit to you."

"The Friendliest Town"

The ROMEO (Michigan) SAVINGS BANK has printed a souvenir map of "The Friendliest Town in Michigan" and the surrounding area for distribution to customers and for the general promotion of Romeo's interests.

Printed with the map is a little story about the village's advantages as a place to live, its business and industry, and its agricultural and fruit-growing interests.

Meet the Staff

The CITY AND COUNTY SAVINGS BANK of Albany, New York, recently started a new program of personalized display advertising, using members of the staff as the focal point.

The first ad introduced John Patterson, messenger, who, in an accompanying picture, told about his job at the bank.

"Lots of my friends call me 'Shiner,'" he wrote, "but my name is John L. Patterson and I've been with CITY & COUNTY SAVINGS BANK since June 14, 1943. Before that I was a ladderman and

HIGHLIGHTS IN INSURANCE HISTORY

Early Theatre Losses

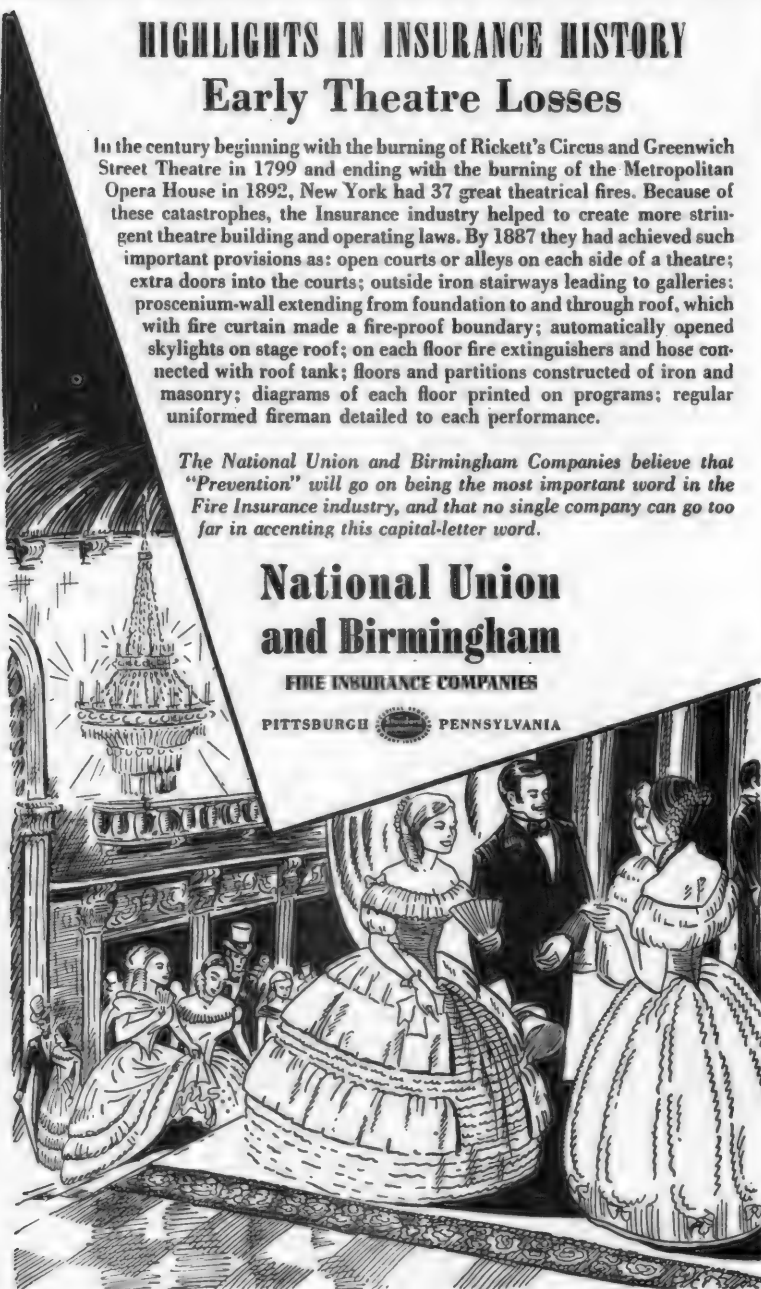
In the century beginning with the burning of Rickett's Circus and Greenwich Street Theatre in 1799 and ending with the burning of the Metropolitan Opera House in 1892, New York had 37 great theatrical fires. Because of these catastrophes, the Insurance industry helped to create more stringent theatre building and operating laws. By 1887 they had achieved such important provisions as: open courts or alleys on each side of a theatre; extra doors into the courts; outside iron stairways leading to galleries; proscenium-wall extending from foundation to and through roof, which with fire curtain made a fire-proof boundary; automatically opened skylights on stage roof; on each floor fire extinguishers and hose connected with roof tank; floors and partitions constructed of iron and masonry; diagrams of each floor printed on programs; regular uniformed fireman detailed to each performance.

The National Union and Birmingham Companies believe that "Prevention" will go on being the most important word in the Fire Insurance industry, and that no single company can go too far in accenting this capital-letter word.

National Union and Birmingham

FIRE INSURANCE COMPANIES

PITTSBURGH PENNSYLVANIA



telephone operator in the Albany Fire Department. I certainly enjoy my work here as messenger. It takes me all over the business section and I meet lots of interesting people. I'm always glad to recommend our bank because I know what fine, prompt service our customers receive. And that goes for opening a savings account, borrowing money to build a home or to fix up the old one, and all the long list of other services that City & County offers. Our officers and employees treat one and all with real courtesy and a friendly smile. And that's only one of the many reasons our bank is so well liked here in Albany."

Beneath the statement was a brief biographical sketch of Mr. Patterson.

President Frank H. Williams reports that the reaction to this type of advertising from depositors and the general public has been "exceedingly favorable."

"The two employees mentioned in the first two ads," he says, "told us of the numerous comments that have come to them personally in the form of telephone calls to their homes, letters and personal conversation."

Bank Aids Slum Clearance

In a page one story, the *Atlanta Constitution* announced that THE BANK OF GEORGIA had set aside \$1 million to help property owners finance the razing and rebuilding of the city's substandard housing.

In a letter to Mayor Hartsfield, Joseph E. Birnie, president of the bank, said:

"We realize that banks, as well as other business enterprises, must take the initiative in this important project,

The Minneapolis Aquatennial, a summer celebration, had its main ticket booth in the lobby of the Northwestern National Bank. The association sponsoring the affair had radio, sound truck, signs and newspaper ads telling people to buy their tickets at the bank. The picture shows a few of the buyers in the lobby



and we plan to do all in our power to help in any way possible.

"We know that many of the homes in these substandard areas must be torn down and rebuilt, but we understand that there are also a number which would be made livable and attractive by spending relatively small amounts for painting, repairs, bathrooms, electrical fixtures and other improvements. Loans for such repairs and improvements come under FHA-Title 1 which offers interest rates as low as 4 percent with monthly repayment terms as long as three years.

The city's plan is to eliminate 6,000

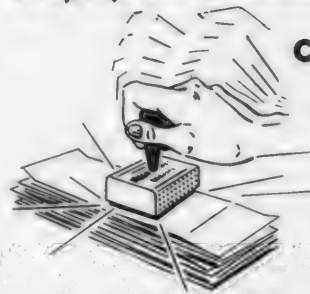
slum and 34,000 substandard dwellings over a five-year period.

Prior to the bank's announcement the city council had called upon private enterprise to finance the project, and the *Constitution* noted that this was "the first concrete reply."

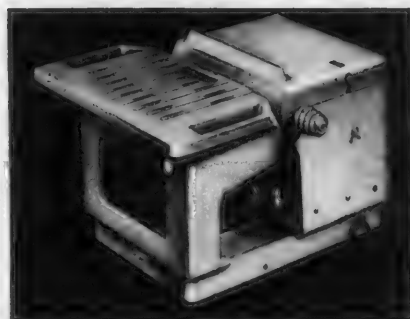
"We Still Recommend . . ."

The Savings Bond Division of the Treasury thought so highly of a newspaper ad sponsored by THE DENTON (Maryland) NATIONAL BANK that Morris M. Townsend, director of the division's banking and investments section, sent a copy to each of the state

Why Spend Time and Money Endorsing Checks?



Cummins 250 can save it all!



Save peak load time every day. Eliminate expensive returns for no endorsement.

The Cummins 250 electric endorser can save all the time you now spend stamping checks if you use it with your proof listing. Or, it can reduce the endorsing time to an insignificant amount if used separately.

Cummins 250 never misses—never skips. Impressions are always sharp and clear. Endorsements are always complete and legible. **SIMPLE AND EASY** to operate—requires no specially trained help. **FLEXIBLE.** Performance equally satisfactory whether combined with listing operation or used separately.

STACKS in perfect sequence.

QUIET. All noise of stamping eliminated.

NO TYPE TO SET—Wheel-type date unit.

LUBRICATED FOR LIFE—requires no special attention.

Cummins 250 starts to pay for itself the day you start to use it and refunds the purchase price many times.



Pioneer Manufacturers of Check Endorsers, Signers, Receipters and Perforators.

"Safeguarding your transactions"

CUMMINS BUSINESS MACHINES CORP.

Formerly CUMMINS PERFORATOR

4752 Ravenswood Avenue, Chicago 40, Illinois

Please send me complete information on Cummins 250 Endorser.

Name _____ Title _____

Company _____

Address _____

City _____ Zone _____ State _____

HOTELS of TOMORROW

ALWAYS CHOOSE AFFILIATED NATIONAL HOTELS



IN THESE CONVENIENT CITIES

- ALABAMA**
Hotel Admiral Semmes.....Mobile
Hotel Thomas Jefferson.....Birmingham
- DISTRICT OF COLUMBIA**
Hotel Washington.....Washington
- INDIANA**
Hotel Claypool.....Indianapolis
- LOUISIANA**
Jung Hotel.....New Orleans
Hotel DeSoto.....New Orleans
- MISSISSIPPI**
Hotel Lamar.....Meridian
- NEBRASKA**
Hotel Paxton.....Omaha
- NEW MEXICO**
Hotel Clovis.....Clovis
- OKLAHOMA**
Hotel Aldridge.....Wewaka
- SOUTH CAROLINA**
Hotel Wade Hampton...Columbia
- TEXAS**
Hotel Stephen F. Austin....Austin
Hotel Edson.....Beaumont
Hotel Brownwood.....Brownwood
Hotel Cortez.....El Paso
Hotel Texas.....Fort Worth
Hotel Buccaneer.....Galveston
Hotel Galvez.....Galveston
Hotel Jean Lafitte.....Galveston
Coronado Courts.....Galveston
Jack Tar Court Hotel.....Galveston
Miramar Court.....Galveston
Hotel Cavalier.....Galveston
Hotel Plaza.....Laredo
Hotel Lubbock.....Lubbock
Hotel Falls.....Marlin
Hotel Cactus.....San Angelo
Hotel Menger.....San Antonio
Angeles Courts.....San Antonio
- VIRGINIA**
Hotel Mountain Lake.....Mountain Lake

Executive
Offices
Galveston
Texas



HOTELS

directors. Here is the advertisement:

"Dear Patrons: Under the law we, as a national bank, are required to publish frequent reports of our financial condition, and make yearly reports to our stockholders. We would like to report to you, our patrons, the public, on some of our work here, other than strictly banking work.

"You might be interested in the subject of 'E' Bonds, which are a form of United States Savings Bonds sometimes known as discount bonds, for which you pay \$75 and at the end of 10 years receive back \$100, or a return on your money of better than 2½ percent. We still issue and recommend to you the purchase of such 'E' Bonds and to date we have issued 6,870 of such bonds in denominations of \$25 to \$100 maturity value. The maturity value of these bonds which we have issued amounts to \$764,350. We have rendered this service to our Government and to you our patrons, actually at a cost to this bank of \$1,374 for which we neither received nor expected any compensation.

"For the safety of our patrons who do not have lock boxes, we are at this time taking care of thousands of dollars of such 'E' Bonds in our safekeeping department, without charge. We will be glad to take care of yours, too, if you bring them in to the bank.

"We have recently installed a system whereby should you lose any of your 'E' Bonds that were purchased through this bank, we believe we can now easily assist you in obtaining a duplicate bond, or payment to you by the Government at maturity.

"We urge you to hold your 'E' Bonds to maturity, but if you are compelled

to cash them before maturity we will cash them here at the bank for you at the scheduled present value."

News About Banks

The monthly publication of the **FIRST NATIONAL BANK OF BOSTON**, *About the First*, is featuring a series of pictorial panels depicting the history of banking from its origin to modern times. Created and copyrighted by Frank Ober, who is associated with the bank's advertising department, the series will run in 12 issues of the magazine.

The **FIRST NATIONAL BANK** of Mount Vernon, New York, has opened the city's first drive-in branch.

The **BRIDGEPORT** (Connecticut) **CITY TRUST COMPANY** has established a common trust fund.

The **BANK OF WHITING**, Whiting, Indiana, is planning an enlargement of its quarters. The changes will include the remodeling of the vaults and the installation of more than 300 additional safe deposit boxes.

The **BANK OF VIRGINIA**, formerly the **Morris Plan Bank of Virginia**, has published a booklet in observance of its 25th anniversary.

"Welkom in Canada!" is the title of a folder which the **BANK OF MONTREAL** prepared as a greeting to the large number of Dutch immigrants who landed in Canada early this Summer. The inside spread of the folder contains a map of (CONTINUED ON PAGE 108)

The **First State Bank of Memphis**, Texas, tabulated the votes in a "Miss Memphis" contest, feature of the **First Annual West Texas Cotton, Chemurgic and Ceramics Carnival** early in October. In the picture, Assistant Cashier Pete Smith and Contestant Peggy Lawrence are explaining the election standing to seven potential winners. The customer at the window just behind them seems quite intent on cashing his check





A diagram illustrating the components of a long division problem. A box contains the numbers 9873, 4700, 470, and 47. To the left of the box, the numbers 2, 1, and 0 are listed vertically. To the right of the box, the words DIVIDEND, THE ANSWER, and REMAINDER are listed vertically. Arrows point from the words to the corresponding numbers in the box: DIVIDEND points to 9873, THE ANSWER points to 4700, and REMAINDER points to 47. An arrow also points from the number 0 to the number 470.

Diagram illustrating the multiplication process:

3	7	8	9	0	0	✓
2		8	9	0	0	✓
4			7	8	9	✓

Arrows indicate the flow of data:

- From the **MULTIPLICAND** register to the **MULTIPLIER** register.
- From the **MULTIPLIER** register to the **THE ANSWER** register.

The final result shown in the **THE ANSWER** register is 255636.

6 3 4 5 4 ♠
2 4 6 9 -
8 3 5 6 2

1 4 4 5 4 7 ♠

ADD
SUBTRACTS
ANSWER

Remington Rand

MACHINES FOR MANAGEMENT

Your facts are right the first time when the Printing Calculator produces your figures. This machine never relies on assumptions . . . it automatically prints on the tape each factor and answer of every calculation. You never have to repeat a problem . . . the printed tape is your first-time proof of accuracy and a permanent record to which you can refer weeks or months later. Compact and simple to operate, the 10-key Printing Calculator gives you complete, rapid figuring service. It multiplies and divides automatically, adds and subtracts—and prints each factor.

Ask your Remington Rand representative for a demonstration, or write for further information to Remington Rand Inc., Adding-Bookkeeping-Calculating Machines Division, Department BK, 315 Fourth Avenue, New York 10. N. Y.

(CONTINUED FROM PAGE 106)

Kent County, where the newcomers are settling. The map spots the bank's branches in the area.

The WESTERN SAVINGS FUND SOCIETY of Philadelphia has planned a series of 16 monthly exhibits of consumer merchandise in six of its offices. "Wishing Won't Do It, Saving Will," is the slogan for the program to encourage spending as well as saving.

DOLLAR SAVINGS BANK of New York is promoting, in metropolitan newspaper ads, its "Two-for-One Plan" of savings and savings bank life insurance.

The CLARK COUNTY NATIONAL BANK of Vancouver, Washington, has been acquired by the Seattle-First National Bank which will continue it as a branch.

"The Development of a Community" is the title of an historical brochure published by THE FIRST NATIONAL BANK OF MILLBURN, New Jersey, to mark its 40th anniversary.

Chicago, St. Louis and Pittsburgh newspapers participated in an exhibit of 72 original editorial cartoons on display throughout September in the lobby of CHICAGO TERMINAL NATIONAL BANK.

The NATIONAL BANK OF COMMERCE OF SEATTLE'S Queen Anne Branch got considerable publicity from its gift of a new one-cent piece to each person attending the "open house" that celebrated its second anniversary. Press and radio featured the idea that a bank was giving away "samples."

Right, a little guest and her father display their pennies while a member of the bank's staff presents a souvenir rosebud



Here's an Idea . . .

With 1948 approaching, we're reminded that it isn't necessary to fool all the people all the time. A majority every four years is sufficient.

When we hear of the first 50th wedding anniversary in Hollywood, we'll be ready to believe anything.

After observing Petrillo for a few years we have concluded he thinks the first note in the wage scale is also dough.

Economics simplified: The money that makes money is the money that makes work.

Definition of a road hog: Any other driver.

A critic says a certain novel did not begin until the middle of the book. The trouble with most of them is that they don't end in the middle.

A well informed man is a man who knows the present status of China and why.

We prophesy that the 1948 political platforms will be for the Ten Commandments, the multiplication table, high prices for farm products on the farm and low prices for farm products in the city.

We suggest that the United Nations acquire a number of movable boundary partitions for use from time to time.

This Home Planning Display



Northwestern National Bank in Minneapolis attracts new home loan customers with this American Home Diorama.

—DEVELOPED IN COOPERATION WITH
ABA'S REAL ESTATE FINANCE DEPARTMENT—IS YOURS FREE OF COST

TODAY, forty American Home Dioramas are being constantly circulated from bank to bank throughout the country. Designed in cooperation with the Real Estate Finance Dept. of The American Bankers' Association, this dramatic display helps to encourage tomorrow's home builders to start planning and saving—now.

The Diorama is available to any bank—free of charge—for a one-month period as a service of The American Home Magazine. It features 12 illuminated Kodachromes of home interiors and exteriors and outlines the essential steps in home planning. The unit is convenient in size (53" x 27" x 15") for use in a window or on a small table in your lobby. And it's shipped to you *complete* in one piece. Your only expense is to express the Diorama to the next bank after using it.

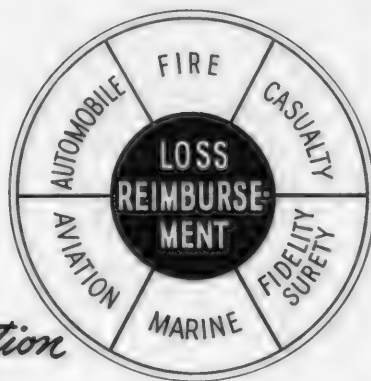
Write now and let us know when you would like to exhibit the Diorama. If possible, give an alternate month. Address: The American Home Magazine, Bank Education Dept., 444 Madison Ave., New York 22, N.Y.



INSURANCE SERVES



Through Prevention



Through Restoration

The Service of Insurance is two-fold. While Restoration is the ultimate function of insurance, through reimbursement for losses sustained by policyholders, the Capital Stock Insurance Companies of America with keen foresight and economic wisdom have always envisioned the great importance of Fire and Accident Prevention.

Today the extraordinary postwar increase in Fire Losses and Automobile and Other Accidents greatly emphasizes the Preventative Service of the Insurance Industry. This service was inaugurated many years ago with the planning of far-reaching programs of research and public enlightenment carried on by National Associations, created by the insurance companies for this purpose. Year after year these programs have been continued and expanded. Great has been the saving of Life and Property through them.

With the present drastic increase in the number of Fires and Accidents, the insurance companies and National and State safety organizations are redoubling their efforts to awaken the public to these great threats to our economy. The cooperation and vigilance of all citizens, home-owners and business concerns are essential to the success of this vital Fire and Accident Prevention Service.

COMMERCIAL UNION-OCEAN GROUP

Commercial Union Assurance Company Limited

The Ocean Accident and Guarantee Corporation, Limited

American Central Insurance Company

The Palatine Insurance Co. Ltd.

The California Insurance Company

British General Insurance Co. Ltd.

Columbia Casualty Company

Union Assurance Society Ltd.

The Commercial Union Fire Insurance Company of New York

HEAD OFFICE • ONE PARK AVENUE • NEW YORK, N. Y.

* Fire due to carelessness may cost our country 60 million dollars and 10,000 lives within the year.

* Deaths resulting from automobile accidents have already increased 30%.

* In 1946, one out of thirteen persons was the victim of disabling injury.

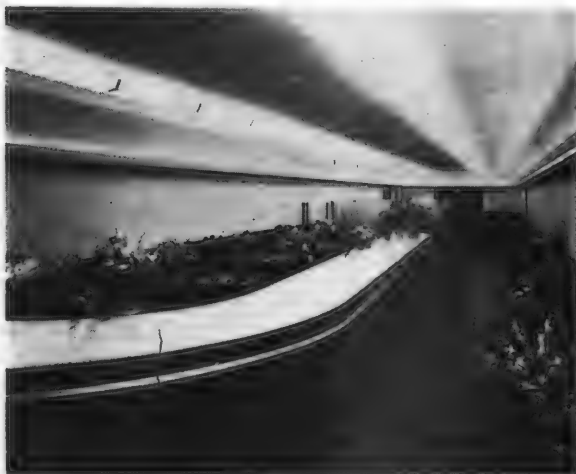
Consumer Credit News Exchange

(CONTINUED FROM PAGE 42)

personal loan business. The survey on this page was made in June. It showed that SOCIETY FOR SAVINGS' customers do other business with the bank and that a good percentage have savings accounts with the bank.

Average Loan.....	\$424.31
Average Number of Loans Per Customer.....	3.7
Average Age of Borrower.....	39.5
Average Monthly Family Income (excluding children).....	\$308.02
Type of Income by percentage:	
Salary and Commission.....	49.5%
Hourly Wages.....	35.
Business or Profession.....	15.5
Type of Loan:	
Signature Loans.....	56.5%
Co-Maker Loans.....	8.
Secured Loans.....	35.5
Type of Borrower:	
Married.....	75. %
Single.....	25.
Property Owners.....	38.
Society for Savings Customers (other dept.).....	57.
Society for Savings Depositors.....	40.5
Purpose of Loan:	
Medical.....	17.5%
Consolidate Debts.....	13.5
Tuition.....	4.5

Opening of a new consumer credit department offers a bank the opportunity for valuable publicity for its services. The Bank of Sheboygan, Wisconsin, took attractive pictures of its new quarters, enclosed by a novel, curved counter. The office was designed for speed and efficiency and Robert G. McCord, assistant vice-president, in charge of the department, says the ground floor location with open front has been very advantageous. Procedure may take as little as five minutes



Taxes.....	2.50%
Vacation.....	3.5
Home and Property Repairs.....	17.
Emergency.....	8.5
Car Repairs.....	6.5
Business.....	8.5
Consumer Goods.....	8.5
Automobile.....	9.5

Too many people accept without question whatever finance charge is requested of them and whatever agency the dealer suggests," says R. Bailey Reade, secretary of the DURHAM BANK & TRUST COMPANY, Durham, North Carolina.

"By way of competition, we have attempted to teach our customers to become price conscious about the exact finance charges they actually pay on their loans. Frequently there are hidden charges the customer has not been interested in investigating."

The bank mails its customers a card (shown below)

We are pleased to enclose herewith your payment book showing finance charges as follows on your recent purchase through

A. B. C. Electric Company	
\$ 200.00	Cash balance paid to them
.30	Recording of mortgage
.85	Fire Insurance
.00	Life Insurance
12.06	Interest
213.21	

Now that you have established your credit with this institution, we trust that you will give us an opportunity to advance additional funds at proportionately low rates to cover any future purchases that you may anticipate.

R. B. READE, Secretary
DURHAM BANK & TRUST COMPANY

letting them know not only the exact amount that has been paid for their money, but also that it is possible to finance a subsequent purchase through the bank. The bank maintains that "very often a thrifty customer may obtain a cash discount from the dealer amounting to much more than his finance charges," by borrowing from the bank and paying in cash. This reasoning is passed on to customers who have just secured either a personal or consumer loan.

ABOUT six years ago, the ST. JOSEPH VALLEY BANK OF ELKHART, Indiana, procured from local industrial concerns lists of their employees. The local credit bureau furnished the bank with credit standing of the factory employees. To every employee whose credit condition was satisfactory the bank sent a letter, advising that he could borrow any amount of money, repayable in one year out of his normal income. ST. JOSEPH VALLEY BANK did not have an immediate flood of applications upon receipt of the letter. Now, six years later, when credit demands have returned, customers come into the bank and say, "Once I had a letter from your bank advising me that credit is available." The bank feels that it created a great deal of goodwill by its letter.

ST. JOSEPH VALLEY BANK has developed a satisfactory and wholesome relationship among its builders, suppliers and automobile dealers to encourage FHA and auto financing, by dinner meetings held regularly during the past few years.

Spotcheck

(CONTINUED FROM PAGE 35)

prices drop, eliminating need for major repairs on old cars.

Mr. Eccles stresses the difficulty of drawing a dividing line between large and small businesses in this trade area. Capital considered large here would be considered small in the East. He believes conditions with respect to small business loans here are identical with those of most of the country.

Post-war loans up 100 percent . . .

RACINE, WIS.

THREE factors stand out in bank loans to small business in the Racine trading area, says W. G. Aschenbrener, vice-president of the American Bank and Trust Company.

These factors are:

- (1) The lush growth of small war-born industries.
- (2) The strong cash position of retail business.
- (3) The sensitiveness of Racine's basic heavy industries to the economic news of the day.

The war period saw the birth of 80 new Racine industries, nearly all of them in the small-business class. Their payrolls ranged from one to 150 employees, and some of them were situated in basements and garages. These concerns, the Racine banker said, have been the recipients of numerous loans to meet payrolls and pay for equipment and materials.

Mr. Aschenbrener cited this industrial growth as a principal reason for the bright outlook in Racine for loans to small business. He pointed out that many companies have expanded, moreover, and that the dollar volume of their inventories has increased appreciably, although some inventories are out of balance because of shortages.

"Racine is a world center of the fractional-horsepower motor industry," the banker asserted, adding that this field has had considerable bank financing on an accounts-receivable basis.

On the other hand, the opportunity for local banks to participate in the foreign trade of this field is small, he indicated. This business is fairly well "sewed up" by foreign trade representatives, he said.

4 Reasons

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field warehouse organization

Lawrence Warehouse Company is the largest, oldest and most experienced organization conducting nationwide field warehouse operations.



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To protect Lawrence receipt holders, we carry by far the strongest and broadest fidelity bond and legal liability insurance in the field warehouse industry.



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COLOMBIA

Presents Extensive Opportunities

Colombia, among the leading countries of South America in trade with the United States, will offer increasing opportunity for travel and export and import trade in the years ahead.

Increasing numbers of forward-looking banks and business organizations in the United States are establishing correspondent relations in Latin America, notably with Colombia. Many of them are taking advantage of the exceptional and complete banking facilities provided by this 34-year old institution.

With 25 offices in all commercially important parts of the country, trade information is quickly gathered and forwarded to you. Special departments for handling collections and letters of credit.

Inquiries cordially invited.

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Cable address for all offices—Bancoquia

Capital paid-up: \$8,184,937.—Pesos Colombian

Reserves: \$8,853,662.—Pesos Colombian

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Head Office: MEDELLIN, COLOMBIA, SOUTH AMERICA

BRANCHES: Anserma (V), Armenia, Barrancabermeja, Barranquilla, BOGOTA, Bucaramanga, Cali, Cartagena, Cartago, Cucuta, Girardot, Magangué, Manizales, Montería, Neiva, Pasto, Pereira, Puerto Berrio, San Gil, San Marcos, Santa Marta, Sincelejo, Tulua, Vélez.

New York Representative—Henry Ludeke, 40 Exchange Place, New York 5, N. Y.

The strong cash position of the area's retail concerns has concentrated local bank loans largely in such activities as improvements and remodeling, rather than in the financing of inventories. A majority of the stores and service firms have established their inventory requirements with their sources of supply.

An example of one type of banking service is the case of a food retailer who established an attractive, modern store in a neighborhood shopping district. It inspired a rapid series of remodelings by other stores on the street. Later the food retailer opened a second store in the downtown district and took a 10-year lease at \$6,000 a year. Improvements on the downtown property amounted to \$35,000, financed by a bank on a five-year monthly instalment basis.

The effect of Racine's concentration on heavy industries (farm equipment, foundries and forge shops, machine tools) was explained by Mr. Aschenbrener in this way:

"Being in heavy-goods industries here in Racine, it is a question of watching general economic conditions very closely. Our foundries, tool and die shops and pattern shops are among the first to feel any changes in the general picture. We have original sources of supply here, and they are sensitive to trends."

Mr. Aschenbrener went down the line on retail businesses to indicate the loan situation in each:

Building materials—Very well self-financed here. Some of them have gone into housing developments. Several real estate firms have done this also. These



"I got the idea down at the bank."

BANKING

developments have been handled largely through GI loans with strong bank participation. The outlook is still solid. Prices have mounted, but not out of line with the general trend nationally.

There is a big shortage of building labor, partly because other industries hired many of the tradesmen during the war boom.

Appliance stores—These are beginning to show a little borrowing activity. A spurt is expected as a result of veterans cashing terminal leave bonds.

Auto dealers—They are largely on a cash basis. Sale of used cars is largely on credit, but the dealers usually carry the paper themselves.

Home furnishings—These concerns are mostly in such good financial shape that they can carry their own accounts instead of having to discount with the banks.

Department stores—There are few of them here, and all are well financed, even as to improvements, which are largely handled from current cash position.

Food, liquor, tobacco, drug, dry goods and apparel stores; auto parts, houses and filling stations—These are not important factors in local bank financing here; most are in good financial shape.

One aspect of GI loans, Mr. Aschenbrener pointed out, has been the large number of veterans who wanted their loans for the purpose of going into the tavern or restaurant business.

"Many of them," he declared, "seemed to be thinking mainly of making a lot of money in a hurry without working too hard for it."

The local banks' relation to the community was outlined by Mr. Aschenbrener thus: "We like to feel we're part of the community; all we have is the savings of the community, and under our democratic system we use these savings for the development of the community."

"We are ready to extend sound credit to every worthy applicant for worthwhile purposes."

"In this community, the banks handle applications from worthy people more or less on a professional basis. We don't ring doorbells, but we conduct our business in such a way that the people know about and also understand our service."

"In Racine the competition from finance companies is not so keen as in some other cities. Anybody entitled to credit here can get it from the local banks."

"Since the war, loans by banks in the Racine area have increased better than 100 percent."

INVENTORIES COLLATERALIZED FOR COMMERCIAL LOANS

St. Louis Terminal Field Warehousing **SERVICE**

With a sound foundation, created carefully through the years, step-by-step selecting competent and experienced personnel, the St. Louis Terminal Warehouse Company has achieved an enviable record of Vigilance and Dependability... Care and Method of Operation... Record of Valid Bailment . . . Close Relationship and Friendly Cooperation.

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DALLAS 1, TEXAS • KANSAS CITY 6, MO. • MEMPHIS 3, TENN.
Construction Bldg. Waldheim Bldg. Sterick Bldg.

New Institute Textbook on Economics

Two things that should be noted particularly in the new textbook on economics published by the American Institute of Banking are (1) it is written in an extremely easy-to-read style and (2) it contains some very timely material on the differences between free and

planned economies. Take this paragraph, for example, at the beginning of the volume:

"Picture, if you will, a globe with great cavities in its surface and imagine that these cavities are filled with water. The rest of the globe's surface, setting

off the cavities and separating the various bodies of water, consists of huge, irregular masses of land. On the land, if you look closely, you can see vegetation and minute objects that are in almost constant motion. Now visualize the globe revolving in space. There you have the setting for the subject matter of this book. It is the activities of certain of these moving objects with which we are concerned. The particular objects of our interest are human beings. It is their peculiar relation to the globe on which they live and their relationships with one another that constitute the basis for the study of economics."

The Institute student will find an extremely clear and succinct analysis of the differences between our form of economy and that prevailing in Russia. This chapter is only about 20 pages long but contains the whole picture in the minimum of words. The final paragraph sums it up this way:

"Whatever its faults and its problems, the free private enterprise system has provided in the United States a general level of well-being which is the goal but not the performance of the planned economy of Russia. Finally, the free private enterprise system does not impose upon the people the tyranny that the advocates of total planning, as practiced by Soviet Russia, regard as essential for the operation of such a system."



"It's an out-of-town check, dear. You can't spend it 'til it clears"

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18 hole championship golf course at the hotel. Charter fishing cruises from the hotel docks; fresh water swimming pool; surf bathing; tennis, riding horses and other sports and amusements. Dancing nightly in the hotel's Starlight Room.

American Plan Selected Clientele

Season from January 10th through early April.

Early reservations advised to insure choice accommodations.

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The Belleview-Biltmore

Executive Offices:
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After December 15th, address

THE BELLEVIEW-BILTMORE
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By R. S. Yeoman

Authoritatively explains in full, all coin issues from 1616 to 1947. Quotes current prices. Contains 256 pages, fully illustrated. (Size 5 1/4 x 7 1/4 in.) Cloth bound, gold-stamped board cover. Price, \$1.50. Post-paid for cash with order.

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The New HERCULES Check Certifier

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HERCULES CERTIFIER CO.
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THE TEXAS COMPANY



180th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Company has been declared this day, payable on October 1, 1947, to stockholders of record as shown by the books of the company at the close of business on September 10, 1947. The stock transfer books will remain open.

L. H. LINDEMAN

August 8, 1947

Treasurer

Safeway Stores, Incorporated

Preferred and Common Stock Dividends

Notice is hereby given that the Board of Directors of Safeway Stores, Incorporated, on September 4, 1947, declared quarterly dividends of 25¢ per share on the Company's \$5 Par Value Common Stock payable October 1, 1947, to holders of such stock of record at the close of business September 18, 1947, and \$1.25 per share on the Company's 5% Preferred Stock, payable October 1, 1947, to holders of such stock of record at the close of business September 18, 1947.

MILTON L. SELBY, Secretary.

September 4, 1947.

President Dodge

(CONTINUED FROM PAGE 47)

These would be cases where the resources of a single bank were not adequate or where one of several banks in a community was obliged to meet more than its share of this type of lending.

"Unfortunately," he said, "the secondary mortgage market has been operated largely for the benefit of profit making opportunists. There were too many of these who would make any kind of a loan which could be technically qualified under the guarantee for the profit there was in it and who sought riskless income with no permanent investment. These operators have been engaged in the business of making loans they would not keep in their own assets as a support to bank deposits. They have been looking for profit for the bank out of loans, many of which represented the purchase of unsound and poor value structures at extremely high prices. In doing that, these lenders gave little or no consideration to the nature and extent of the risks and possible future losses they were encouraging the borrower to assume or passing over to the guarantor.

"I think it is not out of place for me to refer to a statement I made at the Mortgage Conference in Los Angeles in March 1947 to the effect that when lenders are actively engaged in making loans, not for their own account but because of their salability to someone else, and must completely depend on this secondary market, it is just about the time there will be a change in that market. It happened sooner than I expected."

Economic Freedom

On the general subject of economic controls and free enterprise, President Dodge's views are precise and interesting:

"The end of the war, ineffectiveness and lack of public support," he said, "have forced the elimination of most wartime controls. The end of these controls will have far-reaching consequences. Most of the direct responsibility for what happens in the future will pass from the Government to labor and to business. There will be an even greater difference in the operation of the economy of the United States and that of socialist Europe. This will place the United States even more clearly in focus as the only relatively free economy, and place on labor and on business the need for insuring its success.

"These United States are the last stand of relatively free enterprise. How much freedom will be retained and how long this freedom will last largely will depend upon the ability of the people, the workers and the businesses of the country to recognize, understand and meet their obligations to the nation as a whole. To be successful these national obligations must be met in such terms that the system of private enterprise is established as a better and much more efficient answer to the national requirements than any other.

"In view of the present worldwide and national trends, private enterprise can remain free only if it thoroughly understands its relationship to national interests and successfully meets these interests by self-adjustment and self-discipline."

He believes that this situation is particularly true in the banking business because the credit and depositor relationships of banks are so widespread and play such an important part in the functioning of the economy.

"Where private interests conflict with national interests, the only substitute for the imposition of more and more

that's
what
the
man
said

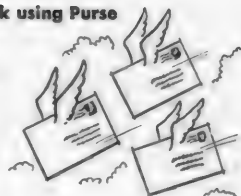


(letter from trust officer of a bank using Purse advertising service)

There have been 3 other men who had been receiving these messages, who voluntarily came in and said . . .

that our mailings had started them thinking about estate planning, and they wanted me to work out their estate plans.

This is concrete evidence of the effectiveness of our advertising program.



Your trust department is looking for ways to develop new business. Our files are full of letters attesting the effectiveness of Purse advertising in promoting new business. May we have the opportunity to demonstrate how "business-getting" trust advertising can help your trust department?

THE PURSE COMPANY

- Headquarters
- for
- Trust
- Advertising

CHATTANOOGA, TENNESSEE

national controls is voluntary control, accompanied by local and individual self-discipline. The fundamental basis of democracy is self-discipline. When that disappears democracy and personal freedom go with it.

"This requires learning to think and act in terms of what is good and not good for your business in its relation to the national economy; less emphasis on private, personal and institutional gains and profits and more consideration of the national effects of what is done; less emphasis on temporary gains and more consideration of long term effects."

In recent years, as the accompanying chronology indicates, Mr. Dodge's public service has been more and more in the foreign field. Consequently his views on world conditions have special interest and importance. He feels, with many others, that there is a well developed socialist trend all over the world. "This has come to its peak in Europe," he said, "where socialism has assumed the dominant political position. There the broad issue is between some form of democratic socialism, and state-ism or totalitarianism—the police state.

"In this country the domination of the Government over civilian and business life and its impacts and controls have been progressively increasing. These trends have become strongly established, assisted by the war conditions. The controls may increase or may decrease. However, they probably will not decrease at the same rate as they increased.

"Fundamentally, every extension of government interest or control requires more extension in the same or another direction to support and make effective those already established.

"The political problem abroad is the extent to which government controls or ownership will replace private enterprise and how or whether any degree of the former

can be balanced with the latter so as to leave a substantially effective system of incentives and free, private enterprise.

"Underlying these problems and trends is the ultimate fact that the expansion of socialism and government control and ownership finally leads towards some form of totalitarianism."

European Reconstruction

He feels that "one of the outstanding characteristics of Europe today is the rapidity with which the people are running out of freedom.

"It is time European nations realize that an actual aggressive and constructive self-help is the first requirement for being considered worthy of assistance from the United States. What they need most is increased production and the maximum efficient use of their own resources. In this we can aid—but it cannot be provided merely by continued hand-outs from the wealth produced by the people of the United States. In too many cases this is serving as a substitute for doing the obvious but unpleasant things necessary to solve their own problems."

What's confusing in traffic is the driver who signals that he is turning right and does so.

Wind is simply air that is in a hurry to go some place. In a speech it is often air that isn't going any place.

Long distance toll rates have been raised, but it shouldn't take our Secretary of State long to tell Stalin frankly what he thinks.



By a Large, Important Segment of the Market . . .

- Through multiple production's economy National Homes Corporation creates beautiful homes, structurally strong, designed for better living, with a variety of exterior designs and floor plans. These homes have steel columns, beams and bar joists, aluminum windows, insulated exterior walls and ceilings. Examination of their sound construction, easy financing and many refinements will suggest to you the thousands of families waiting for just such a building opportunity. Construction and Sales Financing Available through National Homes Acceptance Corporation. NATIONAL HOMES are accepted for FHA and VA mortgage loans.



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HOMES OF SUPERIOR
PERMANENT CONSTRUCTION

● Advertised in **BETTER HOMES & GARDENS** and Selected List of Newspapers.

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RADIUS OF FACTORY**

NATIONAL HOMES CORPORATION • Lafayette, Indiana, U.S.A.



STOCKHOLDERS IN OTHER BUSINESS HAVE A STAKE ALSO IN RAILROADS

Stockholders of all kinds of business should be interested in fair treatment for railroad stockholders.

Freight rates are too low to meet the mounting costs of railroad operation and allow railroad stockholders a fair return on their investments. If railroad stockholders are squeezed out—railroad operation would fall on the Government. Under Government operation, taxes to support the railroads would fall principally upon other corporations—owned, in turn, by their stockholders.

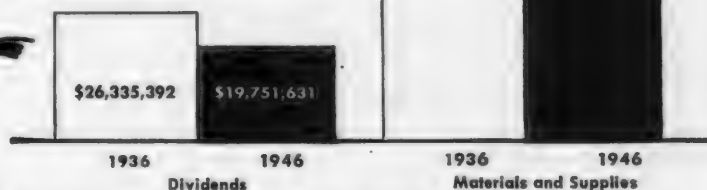
In other words, stockholders everywhere would be penalized.

Railroads should be treated equitably and given increased freight rates to meet increased costs and allow railroad stockholders a fair return.

The cost of materials and supplies necessary to railroad operation has increased 87% since 1939; wages and wage taxes are up about 70%. Freight rate increases have produced only 15% additional revenue for hauling the average ton of freight one mile. An increase in freight rates is needed. In the interest of everyone—employees included—freight rates should be adjusted promptly to the higher costs of performing transportation.

What the railroads desire is just and reasonable rates, that in meeting their responsibility to the public in furnishing adequate and efficient transportation service at the lowest cost consistent, they be allowed to earn sufficient revenues to enable the railroads, under honest and economical and efficient management, to provide the public with the service it desires.

NOTE THE CHART—While the stockholders' share of Pennsylvania Railroad income has declined, those who sell us our supplies have received a bigger and bigger share.



PENNSYLVANIA RAILROAD

Serving the Nation



PHILIPSE Manor Hall

★

A PROPHECY FULFILLED

The Presidential portraits here are only excelled by those in the Capitol at Washington.

properties out of town over which a Royal Charter gave him full manorial rights. On one of his estates, in 1682, he erected the original Philipse Manor Hall which is incorporated in the present structure.

A man of culture and education, the second

Frederick, who succeeded to the title upon the death of his grandfather, played a prominent part in the affairs of the community. It was he who in 1745 enlarged the manor house to three times its original size. His two daughters, Mary and Susannah, made the house a mecca for many of the gallants of the day.

It was during the regime of the third and last Frederick that his sister, the beautiful Mary Philipse, met Washington. Whether he was actually a suitor is not certain, but a century later her grand-nephew declared that if the dominant Mary had become Washington's wife she would have prevented his leadership of the American cause. Whatever Washington's aspirations may have been, it was Roger Morris whom Mary chose from among her many admirers.

A legend relates that during the brilliant wedding festivities a tall blanketed Indian appeared in the doorway and is supposed to have intoned, "Your possessions shall pass from you when the Eagle shall despoil the Lion of his mane."

For years Mary pondered this strange prophecy, but its meaning was not revealed until the Revolution when, like many other loyalists, the Philipse family and their connections were virtually banished. The American Eagle had despoiled the British Lion of its Colonial possessions.

Thereafter the Manor Hall belonged to a succession of

private owners until it was sold to the city of Yonkers in 1868. Used as the City Hall for some years, it is now under the joint custody of the New York State Department of Education and the American Scenic and Historic Preservation Society.

The Home, through its agents and brokers, is America's leading insurance protector of American Homes and the Homes of American Industry.



Mary Philipse



The scene of Mary's elaborate wedding to Roger Morris

★ **THE HOME** ★
Insurance Company
NEW YORK

FIRE • AUTOMOBILE • MARINE

BANKING

BANKING'S Advertisers October 1947

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EDITORIAL

THE CONDITION OF BUSINESS

By WILLIAM R. KUHNS

The Outlook. Judged by a recent careful sampling of opinions among leading bankers, business in most lines will continue at a fairly active level this Fall. At least, that is the consensus of this group, and their opinion is based specifically on the fairly promising outlook for loans to small business. Only on the Pacific Coast was the belief expressed that the volume of such loans was pointed down.

Underneath this apparently widespread optimism, however, there was a strong note of caution, mainly for these reasons:

- (1) High costs and prices.
- (2) Consumer resistance.
- (3) The necessitous character of much borrowing as a result of these first two factors plus sharper competition.
- (4) Over-expansion of inventories as protection against rising prices.

Economic Heart-Trouble. In other words, the villain of the piece is prices, abroad as well as here. In Europe it is a case of waning faith in paper currencies, while here we have other forces operating and depreciation in the European sense is decidedly minor if it exists at all.

Almost all of the lethargy, discouragement and fatigue apparent in Europe's failure to recover can be traced to currency decay, which has caused a kind of economic heart-trouble in the European Continent and in England, too. It furnishes reason enough for the constant drift toward socialism.

It is why farmers, miners and others have no incentive to produce.

It explains why absenteeism is widespread and chronic, and why goods cannot be produced for the export market.

In the past year several American industrial concerns have set up machinery to stimulate imports from Europe and other parts of the world, and this has resulted in some interesting first hand experiences with this problem. There was a large measure of public spirit in such programs, because they are related to the broad problem of balancing our foreign trade and alleviating the dollar famine rather than to the business of these concerns.

A representative of one of these companies has just completed an exploratory trip through most of western Europe. He was able to uncover very few items which could be produced under present currency conditions and sold here in competition with our own domestic products. The artificial exchange rates, which usually have little relationship to actual market rates, together with other restrictions, have tied foreign trade in knots.

Remedies. If this lack of faith in paper currencies is a primary cause of trouble, the natural corrective would be to stabilize one or two of these currencies, or at least take the steps necessary to this end.

One difficult problem has been to distinguish between relief and reconstruction. The two have been combined and confused, whereas they should be completely separated. Relief should never be called a loan and loans should not be for relief but for building plants, purchasing raw materials, modernizing mines and for stabilizing currency. Unless the last is definitely part of the program, all the other steps are futile.

Two things that are not helping the situation at all are self-righteousness on this side of the water and resentment on the other side. We seem to be getting a great kick out of preaching at Europe from the vantage point of our superior well-being and pounding home the thought that, if they would only stop weaving daisy chains and get down to work, all would be well.

On their side is a normal human tendency to resent having to accept advice along with help, but it is being carried to an abnormal and almost psychopathic extreme.

Domestic Prices. Fortunately the causes of our own price problems do not stem from any question about the stability of the dollar, but from several other causes, chiefly these:

(1) Income received by individuals in this country is now at a rate nearing \$200 billion, which is more than double the figure of 1929.

(2) The average wage rate has more than doubled since before the war.

(3) Industrial and residential construction is continuing at a record level in spite of high prices of material.

(4) A substantial export demand goes right on in the face of dollar shortages, supported by government purchases.

Recent Price Rise. Chronologically there is a close relationship between the recent sharp rise in food prices, which began early in July, and the intensified publicity about Europe's predicament, which began at about the same time.

Altogether our price level seems to be responding to the normal working of supply, demand and the inevitable speculation. The antidote is still greater and greater production.

The peak of wholesale prices after the first World War was reached in May 1920. Consumer prices reached their top a month or two later. Stock market prices had already turned down six or eight months before, and reached their low point in August 1921, from whence they started their long climb to 1929. If today's price pattern followed in any degree this previous one, the wholesale and consumer price level would experience a sharp decline in the course of the next year. However, there are very powerful factors present today which are much different from those in 1920. One of these is the possibility of tremendous new commitments abroad and another one is the huge unfulfilled demand for many products, particularly automobiles.

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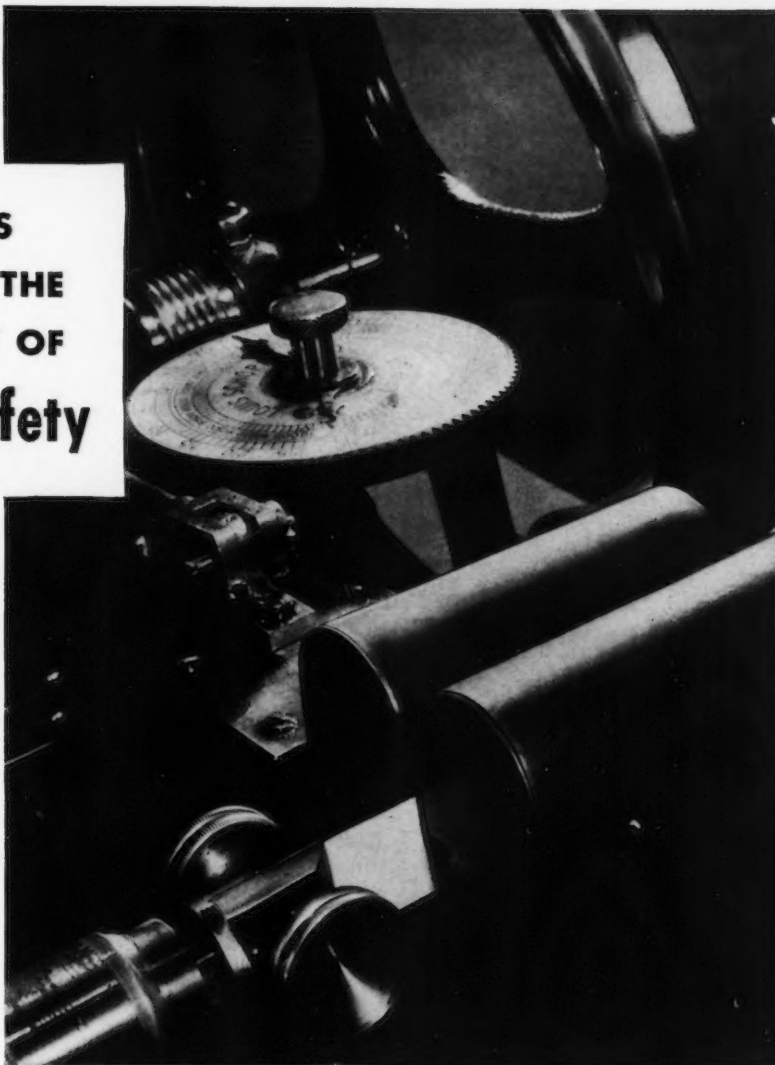
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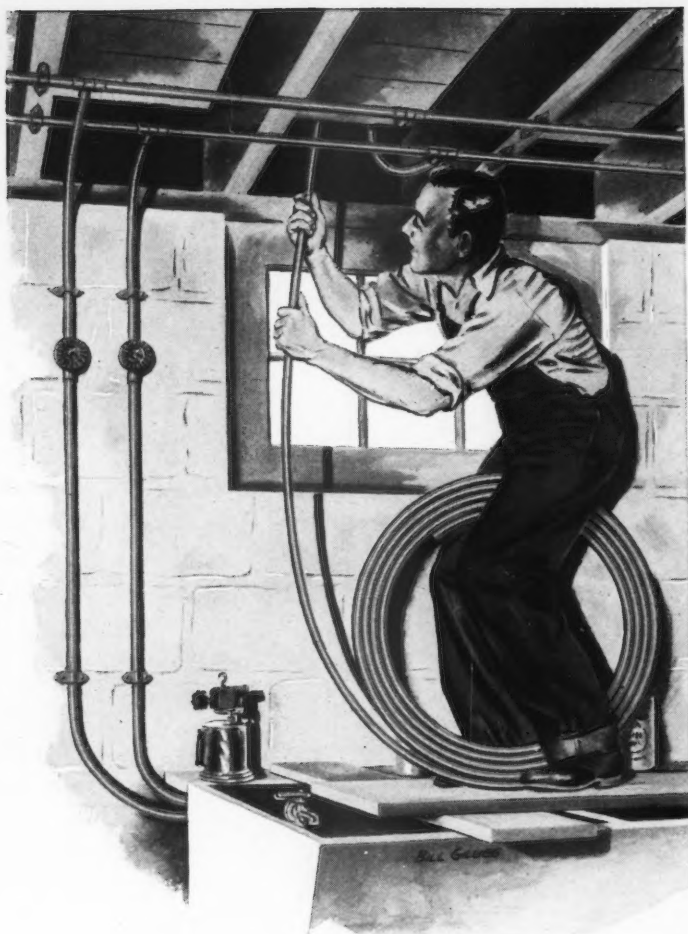
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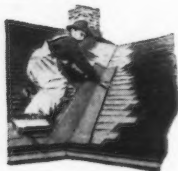




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